# ANNUAL REPORTS 2014

For a dynamic and forward-looking profession focused on public protection

OACIQ FARCIQ

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OACIQ

**Mr. Richard Boivin**
Assistant Deputy Minister,
Policies regarding Financial Institutions and Corporate law
Department of Finance
Government of Québec

QUÉBEC

Dear Mr. Boivin,

We are pleased to submit the Annual Report of the ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC for the fiscal year ended December 31, 2014.

Yours very truly,

**Serge Brousseau**
Chartered Real Estate Broker
Chairman of the Board of Directors

Ministère des Finances Québec

**Mr. Carlos J. Leitão**
Minister of Finance
Government of Québec

QUÉBEC

Dear Mr. Leitão,

Allow us to present the Annual Report of the ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC for the fiscal year ended December 31, 2014.

Yours sincerely,

**Richard Boivin**
Assistant Deputy Minister
Policies regarding Financial Institutions and Corporate law

Ministère des Finances Québec

**Mr. Jacques Chagnon**
President of the National Assembly
Government of Québec

QUÉBEC

Mr. President,

I have the honour of submitting the Annual Report of the ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC for the fiscal year ended December 31, 2014.

Respectfully yours,

**Mr. Carlos J. Leitão**
Minister of Finance

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OACIQ

# OUR MISSION

The OACIQ's mission is to protect the public in real estate and mortgage brokerage dealings by enforcing rules of professional conduct and by inspecting the affairs of brokers and agencies. It is to ensure, among other things, that the transactions engaged in by brokers and agencies are compliant with the law.

## VISION

As an essential reference in the real estate and mortgage brokerage field, the OACIQ helps promote brokers' professionalism and competence. The OACIQ is characterized by its organizational effectiveness, its interventions and its leadership in regards to brokerage development.

FROM LEFT TO RIGHT

**Seated:**
Daniel Pelchat, Serge Brousseau and Richard Dion

**Standing:**
Robert Nadeau, Bernard Savard, Roger Doré, Claude Barsalou, Claudie Tremblay, Georges E. Gaucher, Mario Chouinard, Georges Bordon, Nathalie Lemoine, Jacques Martel, Pierre Martel, Pierre Carrier and Carole Strasbourg

# MEMBERS OF THE BOARD OF DIRECTORS YEAR 2014

## Directors elected among licence holders (by their peers)

Serge Brousseau
Chairman of the Board
Montréal

Richard Dion
Vice-Chairman of the Board
Québec

Daniel Pelchat
Treasurer of the Board
Central region

Georges Bardagi
Montréal

Mario Chouinard
Northeast region

Roger Doré
Commercial real estate brokerage

Georges E. Gaucher
Montréal

Pierre Martel
Mortgage brokerage

Bernard Savard
Montréal

Carole Strasbourg
Western region

## Directors appointed by the Minister of Finance

Pierre Carrier
Nathalie Ebnoether
Jacques Nantel

## Secretary appointed by the Board of Directors

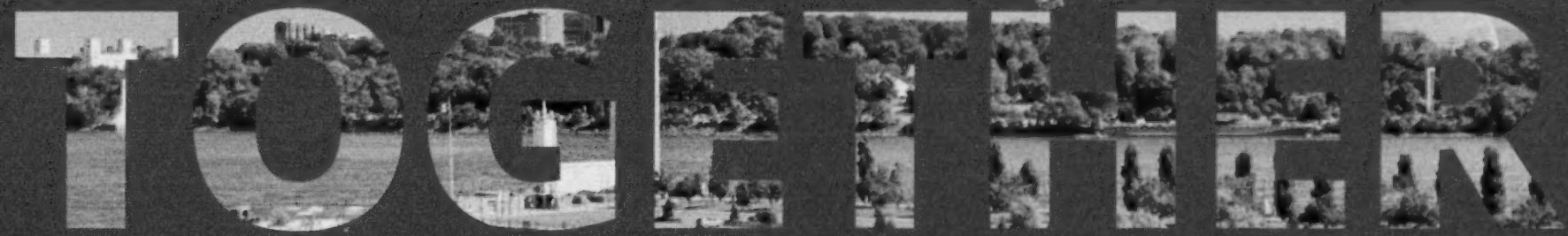
Claude Barsalou

## Assistant Secretary

Claudie Tremblay

## President and Chief Executive Officer of the OACIQ

Robert Nadeau


TOGETHER

# MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

**SERGE BROUSSEAU**
Chairman of the Board of Directors

## 2014, THE YEAR OF COLLABORATION

For a few years now, we have been feeling the importance of adapting real estate and mortgage brokerage to a quickly changing profession and increased consumer expectations. Building on the work already achieved, and in accordance with its main mission of protecting the public, the **OACIQ** is mobilizing all its resources to plan for the future.

"BECAUSE THE PUBLIC IS EVOLVING.

BECAUSE THE PROFESSION IS EVOLVING."

With this in mind, 2014 was a pivotal year. The **OACIQ**, the Québec Federation of Real Estate Boards (QFREB), real estate boards, banners, agencies and members of the public, all sat at the same table to lay the groundwork for one of the main components of the future of our profession: continuing education.

Together we discussed the best ways to train brokers on an ongoing basis, in order to ensure a skill level that the public will appreciate and, as a result, secure a best future for the profession. At the beginning of 2014, we shared our various viewpoints, which was a very enlightening and valuable exercise! Then, broadening the consultation, the Organization set up an online discussion forum to give all brokers a chance to share their views. Finally, with complete transparency, a report highlighted the points of convergence and divergence between participants.

The majority was strong enough to justify the announcement last fall that a *Mandatory continuing education program* would be implemented starting in May 2015. Thus both the public and the field of real estate recognized the importance of reinforcing our profession's credibility.

"PUBLIC PROTECTION IS THE **OACIQ'S** RAISON D'ÊTRE."

This consensus bodes well for the future. By making sure that broker skills keep pace with changes in market conditions and requirements, we are also ensuring that consumers will remain as well protected as possible.

## Examples of collaboration

This spirit of collaboration and openness was also felt in other ways throughout the year.

With real estate boards and the QFREB, we created a new label to help consumers instantly recognize this seal of quality in the field of real estate, and thus be assured of being better protected. We also conducted two province-wide advertising campaigns: one in the spring for sellers and another in the fall for buyers.

Finally, we showcased the importance of dealing with a mortgage broker via a public media campaign. Through these initiatives, we helped better protect the public by informing consumers about the advantages of doing business with real estate and mortgage brokerage professionals.

As always, the Annual General Meeting held in May was an opportunity to exchange and express views and get information. Comments received from some participants reminded us of the importance of continuing to work in a transparent manner. We also noted a few elements that guided some of our decisions.

The excellence that we are demanding of brokers is something we strive to implement in our own practices as well. This year again, internal changes were made to improve our methods and processing times. Among other things, we implemented a powerful real-time computer management tool. This tool has already helped us reduce the time needed to process requests from consumers and brokers, while helping us target the best areas in which to focus our resources. Be assured that we will continue to work in that direction in 2015.

Another achievement was the coming on board of two new directors to represent mortgage and commercial real estate brokers; this has already yielded concrete results that will help ensure better public protection.

As for me, my job was greatly facilitated by the excellent work of the members of the Board. All of them participate, voice their opinions and play their roles, which is very helpful to allow us to make informed and realistic decisions.

"WE EXIST TO MAKE SURE REAL ESTATE AND MORTGAGE BROKERAGE PROFESSIONALS DO AN IMPECCABLE JOB"

## A valuable consultation for the future

One of the roles of an organization such as ours is to offer food for thought in order to better prepare for tomorrow. This is why, with the cooperation of the QFREB, we are conducting a vast study to gain a better understanding of the needs of consumers and brokers in coming years. This study will serve as a basis for discussion.

The advertising campaign held jointly with the QFREB and real estate boards was a great success, which demonstrates the importance of uniting our efforts in order to be more effective in informing our clients. The **OACIQ** plans to pursue this type of effort wherever possible.

Illegal brokerage is another issue which continues to concern us. In this area, in order to ensure the success of its primary mission of protecting the public, the **OACIQ** will continue to press for a clear definition of what constitutes a brokerage act.

Finally, the Act provides for the production of a report on the enforcement of the Act by the Minister of Finance in 2015.

## Adapting is key

Through all the current and future challenges, there is one reality of which brokers must not lose sight: as real estate and mortgage brokerage professionals, their role is to help their clients bring their real estate transactions to a successful and satisfactory conclusion. Client expectations are always on the rise, and brokers must be open to change in all aspects of their activities, both collectively and individually.

This is demanding, to be sure, but it's also more rewarding! And I know that most of them understand this. On behalf of consumers who are benefitting from their expertise, I thank them for their efforts.

"WE ARE CONFIDENT THAT BROKERS ARE UP TO THE CHALLENGE."

## Conclusion

Public protection is the **OACIQ**'s raison d'être. We exist to make sure real estate and mortgage brokerage professionals do an impeccable job, which is why the **OACIQ** is setting the bar high for them.

And we will keep the bar high, because this is the price to pay for public trust and because we are confident that brokers are up to the challenge of adapting to market evolution ad increasing demands. This vision will continue to guide our efforts in 2015.

I wish you the best of success with your collaborations!

**Serge Brousseau**
Chairman of the Board of Directors

# REPORT FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

**ROBERT NADEAU**
President and Chief Executive Officer

In real estate and mortgage brokerage, public protection and success go hand in hand. The better the protection, the better the brokerage, and vice versa. You can't have one without the other.

With this principle in mind, the **OACIQ** management launched a vast initiative, in collaboration with its industry partners, to review and adapt brokers' tools as well as its own administrative processes. And guess what? We're already seeing results!

The *Mandatory continuing education program* tops our list of accomplishments. In addition to this ambitious project, we implemented a more efficient procedure to process and follow-up on requests, and made sustained efforts to communicate the advantages of doing business with a real estate or a mortgage broker. And we're not done yet!

In 2015, the Organization will continue the serious reflection begun at the end of 2014 on the shape and direction which the practice of brokerage must take to ensure that consumers will continue to be adequately protected.

## BETTER OVERSIGHT FOR BETTER PROTECTION

Year after year, the challenges of protecting the public by overseeing the activities of real estate and mortgage brokers remain real and continue to command our attention. In 2014, these issues were more present than ever. Aware of its role, and in keeping with the priorities set by the Organization's Board of Directors, the **OACIQ**'s senior management took action. Below are some of our main achievements in 2014:

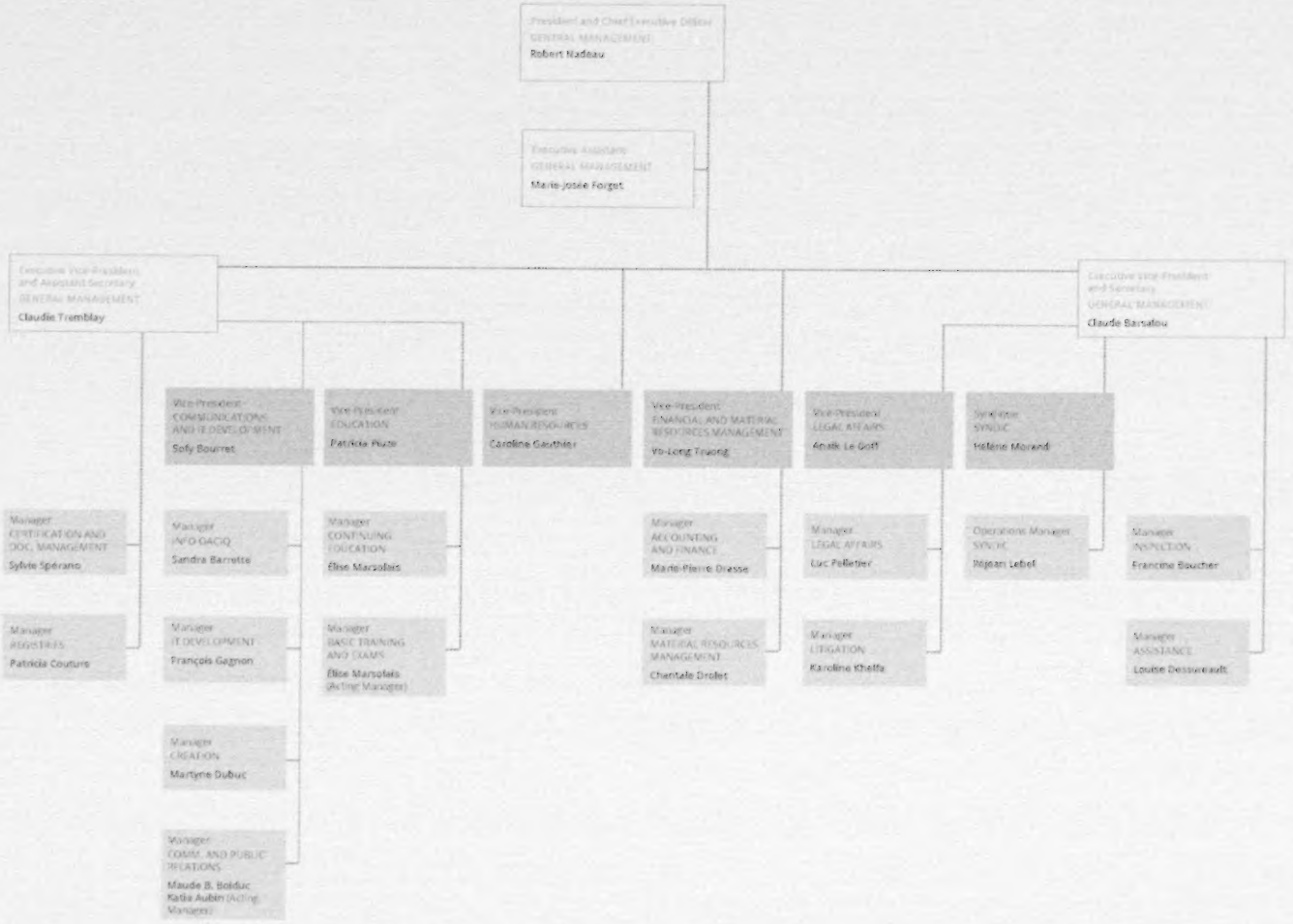
- Launching of a renewed version of the **OACIQ** public website and of a beta version of *Synbad*, the exclusive site for brokers, to which many improvements were made and new features added;
- The real estate label: a new seal of quality for the entire profession;
- Two joint advertising campaigns with the Québec Federation of Real Estate Boards and its member boards;
- An advertising campaign to showcase the advantages of doing business with a mortgage broker;

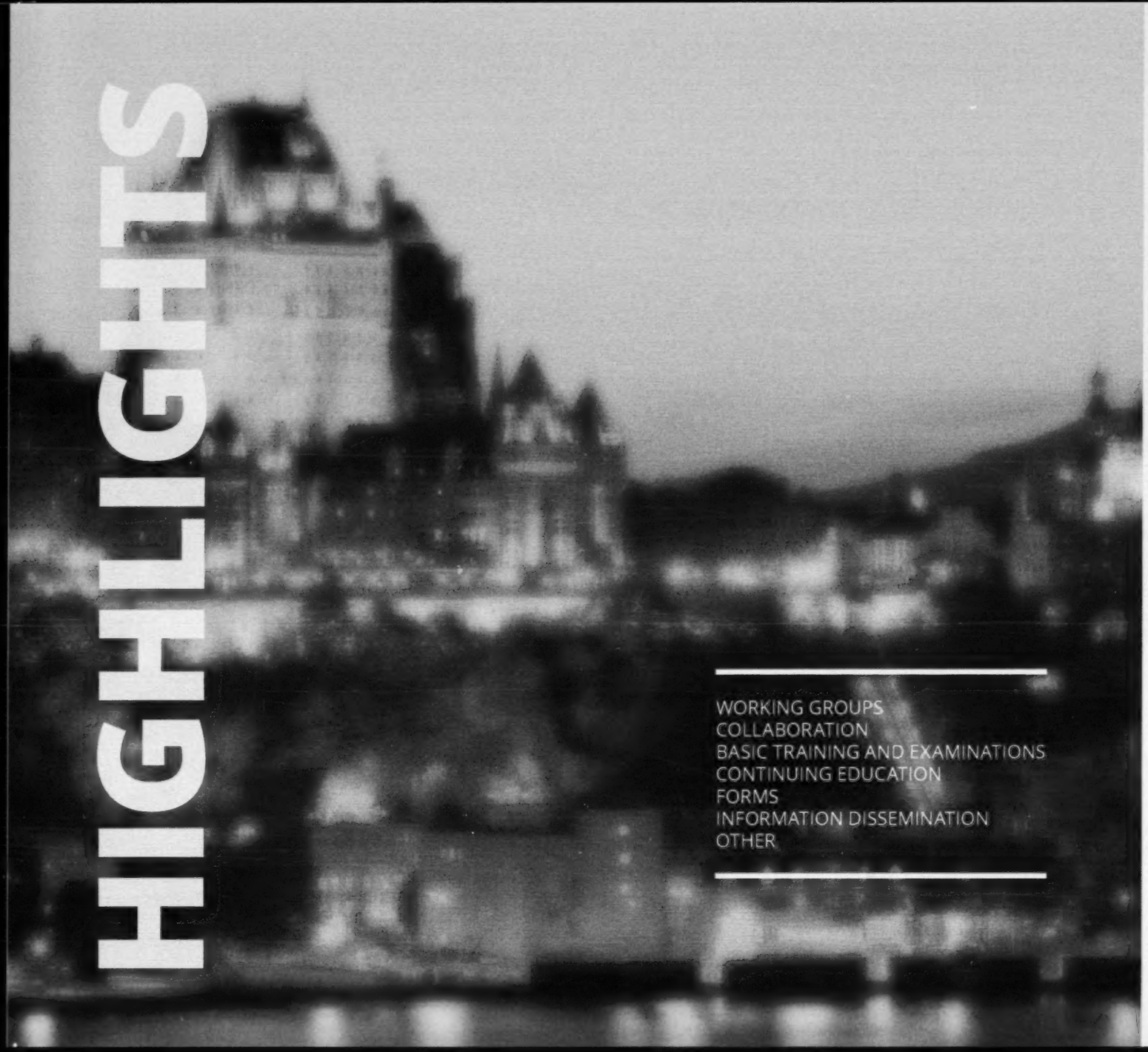
- After an extensive consultation, the announcement of the implementation of the *Mandatory continuing education program*, endorsed by the profession as a whole;
- Internally, a major reform of our administrative procedures to ensure quicker and simpler follow-up of files.

## A structure for faster actions

The **OACIQ** has had to adapt to economic realities. The Audit and Finance Committee was forced to conduct a tight budget review. As a responsible manager, the Organization has had to rethink its structure and review the way it operates in order to maximize resources. More than ever, we are working on making sure budgets and processes are managed effectively in each department.

To do so, we have implemented tools that allow for real-time monitoring of files. These tools help improve public protection by simplifying access to our services and follow-up on requests, which is also useful to brokers. Thus, access to our services has been made quicker and simpler. New tools implemented in 2014 will enable us to reduce processing times in 2015. We are already seeing very promising results in some of our departments. This improvement process will continue in 2015.





# HIGHLIGHTS

WORKING GROUPS
COLLABORATION
BASIC TRAINING AND EXAMINATIONS
CONTINUING EDUCATION
FORMS
INFORMATION DISSEMINATION
OTHER

## Working groups

- Pursuit of the activities of the working groups on commercial real estate brokerage and on mortgage brokerage, exchange forums to clarify and improve practices; progressive enhancement of pages dedicated to these groups in *Synbad* and *Profession BROKER*

## Collaboration

- With the Quebec Federation of Real Estate Boards (QFREB) and the 12 real estate boards: two province-wide advertising campaigns, one in the spring, the other in the fall
- With the Canadian Real Estate Regulators Group: annual meeting with regulators from other provinces hosted by the **OACIQ** in May; numerous exchanges on issues of common interest
- With the Mortgage Broker Regulators' Council of Canada (MBRCC): meeting with mortgage regulators last spring, at the same time as real estate talks, (ARCIC); fruitful exchanges
- With the Canadian Association of Accredited Mortgage Professionals (CAAMP): updating of forms and information to mortgage brokers

Other notable collaborations:

- Chambre des notaires
- Conseil interprofessionnel du Québec
- Educational establishments
- Consumer groups
- Banners and network of independent brokers

## Basic training and examinations

- First basic training cycle completed since reinstatement
- Close monitoring of basic training programs
- Shorter times to issue examination results
- Increase of 20% in examination success rate following the return of basic training.

## Continuing education

- Increase in webinar offer
- Publication of two Professional Practices Guides
- In the spring, consultation tour and online discussion forum on the implementation of a continuing education program
- July: publication of the *Report - Consultation on the mandatory continuing education program*
- November 3: official announcement of the implementation of the *Mandatory continuing education program*, coming into effect on May 1, 2015.

## Forms

- Pursuit of the OACIQ's efforts to certify more firms offering electronic signature solutions (Silanis already accredited)
- Several forms created or improved, including some pertaining to commercial real estate brokerage and mortgage brokerage

## Information dissemination

- February: **oaciq.com** public site improved and modernized
- *Pro@ctive* newsletter simplified; agency executive officer version added
- February-April: joint television advertising campaign with real estate boards and the QFREB to highlight the risks of not using the services of a broker in a transaction
- March: launch of new versions of the popular publications *Seller's Guide* and *Buyer's Guide*
- May: Annual General Meeting focusing on innovation in order to "think as a winner", with prestigious guests including Tom Ferry
- June: visual format of *Profession BROKER* revamped
- June 16: consumers can now see a photo of the broker when using the "Find a broker" tool on the public site
- September: creation of iPad and Android tablet versions of *Profession BROKER*; television ad for buyers
- December: major redesign of *Synbad*, the secure site for brokers and agencies, in beta version; simpler, more user-friendly tools, including in ***My record***

## Other

- Licence maintenance: electronic payment simplified
- Lowering of professional liability insurance premium
- Measures to continue to get Organization's governance in line with revenue performance
- Continued improvements to disciplinary management process in order to reduce file processing times
- Pursuit of the motion for declaratory judgment in order to get a clear definition of what constitutes a brokerage transaction under the *Real Estate Brokerage Act*
- Training to raise staff awareness of best practices and rules regarding access to information
- Implementation of measurement tools and processes to improve file follow-up and reduce request processing times; these tools have already yielded significant results and will continue to be implemented in 2015

## Mortgage and commercial brokerage

The **OACIQ** Working group on mortgage brokerage continued its work. Among other things, it was called upon to help update and improve forms and develop new ones, weigh in on continuing education issues and the development of the advertising campaign pertaining to this area of activity, and provide updates to brokers in this area. The working group on commercial real estate brokerage also participated in the *Mandatory continuing education program*, in addition to discussing problems encountered in that specific area, which led to articles and information being made available to these practitioners. In addition, mortgage brokerage and commercial real estate brokerage now have representatives on the **OACIQ** Board of Directors.

The **OACIQ** took part in the work of the Mortgage Broker Regulators' Council of Canada (MBRCC). The mission of this organization is to improve consumer protection, develop national solutions to shared concerns and promote harmonization of Canada's mortgage broker regulatory practices.

In addition, the **OACIQ** continues to take part in the work of the Canadian Real Estate Regulators, an organization whose mission is similar to that of the MBRCC, but on the real estate side. The annual meetings of these two national organizations, which were held in Québec in 2014, helped advance issues of common interest, including through the harmonization of structures.

## Virtual tools, real usefulness

Elections to the Board of Directors, like all regular communications to brokers, are now done exclusively by electronic means. In 2014, the **OACIQ** pursued its efforts to update its practices and tools, both internally and in its dealings with brokers. The electronic shift embraced by the Organization resulted in many changes in its practices which, in turn, enabled us to maximize our actions and efficiency.

After approving the first electronic signature solution provider (Silanis) in 2013, the **OACIQ** maintained its rigorous approval process.

A first Professional Practices Guide, entitled *Immobilier – Gérer vos activités professionnelles (Real Estate – Managing your Professional Activities)* was published in 2013; two other guides were published in 2014:

- *Opérations de courtage – Recourir aux règles de droit;*
- *Immeuble – Évaluer les éléments de construction.*

A fourth guide, entitled *Courtage hypothécaire – Distinguer les principes de base*, will be published in January 2015. Another will follow to continue providing brokers with tools to improve their practices.

Here are more recent illustrations of the electronic shift taken by the **OACIQ**, both internally and externally:

- *Profession BROKER*, the magazine for Québec's real estate and mortgage professionals, is now an electronic publication available in PDF format and tablet versions for iPad and Android;
- New education sessions for brokers are now available in webinar format;
- For the first time, licence maintenance notices were sent to brokers and agencies using electronic means only; the same was done with receipts;
- Internally, the Organization is constantly monitoring its technology to make sure tools are kept up to date and adapted to changing practices.

# Basic training and examinations

## Return of basic training: the results are positive

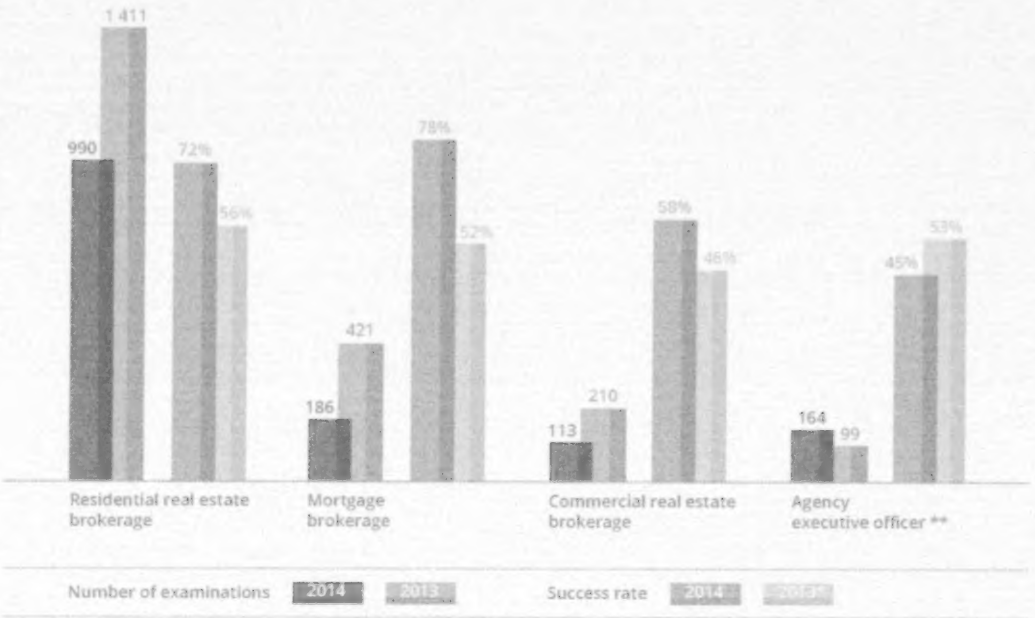
An increase in the certification examination success rate has been observed since the reinstatement of mandatory basic training on September 1, 2013. Candidates who attended basic training achieved better success rates than other candidates; the overall success rate for all examinations rose by about 20%.

All evidence seems to suggest that these results will continue to make our profession more accessible while ensuring that new brokers acquire the skills they need. This is thanks to the increased support provided to educators by the Organization as well as the numerous communications between educational establishments and the OACIQ. The collaborative efforts are paying off.

The Basic Training and Examinations Department is always looking for new ways to improve its methods. One of the positive results of our revised procedures and closer follow-up has been a decrease in the time it takes to get results back to the students. This allows them to start their professional activities sooner.

In 2015, the Department intends to maintain its efforts to reduce intervention and processing times. In addition, closer cooperation with the Office québécois de la langue française will lead to an updating of the French evaluation exam which this body requires certain candidates to take.

### CERTIFICATION EXAMINATIONS – 2014




** 2013 success rate: since basic training became mandatory only on September 1, 2013, and since candidates have 12 months to take the examination, these percentages do not really reflect the improved success rate noted after that date, as they take into account both the brokers who did not complete the training and those who did.*

*** Note that basic training for agency executive officers was still not mandatory in 2014 because no educational establishment had a recognized program, which explains the low success rate. However, starting in 2015, this basic training will be mandatory for those who wish to take the examination, as two such programs have now been accredited.*

## Continuing education

The **OACIQ** Continuing Education Department assists brokers with their career paths by developing training opportunities that keep pace with the profession's rapid evolution. In 2014, this Department remained very active in developing and adapting education activities, while continuing to favour the skills-based approach.

The year 2014 was marked mainly by the consultation process that took place to define the bases for the development of a continuing education program adapted to our constantly-changing profession.

After a series of consultations with various partners including real estate boards, banners, associations, etc., the **OACIQ** undertook a consultation with residential and commercial real estate brokers, mortgage brokers, providers of education programs, and members of the public. The objective was to find out about needs and expectations in the area of continuing education. Following the consultation, the Organization created an online discussion forum open to all brokers in *Synbad*.

These actions led to the drafting of a report summarizing brokers' opinions and preferences. Then, on November 5, 2014, the **OACIQ** announced the *Mandatory continuing education program*, endorsed by the profession as a whole and the public.

Basically, all brokers will be required to accumulate a minimum of 18 continuing education units (CEUs) between May 1, 2015 and April 30, 2017. Trainings are divided into two main categories, i.e. *Core Content* and *Specialized Content*. Under this program, each broker must obtain a minimum of 6 CEUs from the *Core Content* category; the rest (12 CEUs) may be obtained in either category, at the broker's choice.

Between now and the beginning of the two-year cycle, the Continuing Education Department will continue to work on accrediting more providers, so that brokers may attend trainings where and when they wish, according to their professional needs. The important thing is for brokers to have access to an array of products that suit their individual requirements, in their respective areas of activity, and according to their profile (agency executive officer, beginner broker, experienced broker). This Department will work to promote the training programs offered by providers other than the **OACIQ**, so that brokers have a wider selection to choose form.

Also of note in 2014: four trainings in webinar format at affordable prices were created and have been very well received by brokers. The number of these types of trainings is expected to rise in 2015.

### 2014 ONLINE MANDATORY CONTINUING EDUCATION ACTIVITIES

Number of participants:

### OACIQ CONTINUING EDUCATION ACTIVITIES

| Format: | Number of trainings | Number of sessions | Number of participants |
|---|---|---|---|
| Live | 29 | 138 | 2,654 |
| Online | 1 | N/A | 15 |
| Webinar | 4 | 8 | 154 |

### ACCREDITED CONTINUING EDUCATION ACTIVITIES

Number of:

## Forms

### New or modified in 2014

During the year, several new forms were created, including:

- *Exclusive brokerage contract – Sale – Mobile home situated on leased land;*
- *Promise to purchase – Mobile home situated on leased land;*
- *Enhancements prior to acceptance;*
- *Exclusive brokerage contract – Commercial lease;*
- *Promise to lease – Commercial;*
- *Exclusive brokerage contract – Loan secured by immovable hypothec.*

And others were amended:

- *Amendments;*
- *Request for information relating to a hypothecary loan;*
- *Identity verification.*

As well, new standard clauses were added in *Synbad*, the reserved site for brokers. In addition, the renewal of the agreement between the OACIQ and Centris® was discussed and will become a reality in early 2015 for a three-year period in order to maintain the InstanetForms® platform. A survey on electronic forms, conducted last fall, confirmed the growing popularity of electronic versions and their ease of use and showed the increasing use of electronic forms.

### Electronic forms and signatures

Designed in partnership with Centris® and implemented in July 2012, the InstanetForms® platform, which gives brokers access to OACIQ electronic forms, underwent significant improvements in 2014:

- The abbreviation of the form name has been added at the end of each title;
- Forms are now organized by transaction type in a directory;
- Explanatory leaflets have been developed to clarify certain clauses.

In September 2013, the OACIQ accredited the first firm offering an electronic signature solution. Other solutions are currently being analyzed. The accreditation process is based on a set of technical specifications required to ensure that electronic or digital signatures used in real estate transactions are done in a secure manner.

## Information dissemination

### *oaciq.com* public site revamped

In February 2014, the Organization launched an all-new version of its public website, **oaciq.com**. New features include user-friendly browsing, a streamlined look and content adapted to the needs of consumers, in order to give them all the tools and information they need. In addition to highlighting the advantages of doing business with a broker, it contains a lot of useful information on the main steps involved in a real estate transaction and on the guidance available from the OACIQ. A new search tool also makes it easy to find a broker.

### *Synbad*

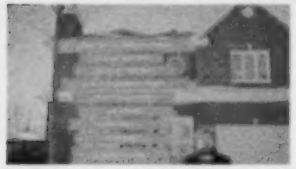
The OACIQ's secure website for brokers, *Synbad*, was completely revamped, culminating in the launch of a beta version in December. Brokers are encouraged to share their comments to make sure the new site meets their needs.

The new version of *Synbad* offers easier browsing, an updated platform, and quick access to information thanks to a more efficient search engine and a better organization of the information. The site's security has also been enhanced. The ***My record*** section has been enhanced, allowing each user to see all his information at a glance, in addition to providing important details on his personal record.

The OACIQ plans to continue making improvements to *Synbad* in coming months.

## Advertising campaigns

Three advertising campaigns were deployed in the course of 2014.



Between February and April, the **OACIQ**, the QFREB and its member boards took to the airwaves with a joint advertising campaign featuring a novel concept demonstrating that there's a lot more to selling your own home than putting a sign in front of your property.

The success matched the innovation, as 76% of participants spontaneously got a clear understanding of the message, whereas the standard for this type of question is usually between 45% and 55%. In addition, 69% of respondents said that the ads would incite them to use the services of a real estate broker in future for the sale or purchase of a property. The standard is usually 40% to 50%.[1]

In the fall, another joint television ad, this time targeting buyers, also enjoyed great success. The results showed that this historic union was able to repeat the success of last spring's campaign with the new ad "I wanted to buy without a broker". This time, spontaneous understanding of the message reached 78%, and 70% of individuals surveyed said they would do business with a broker for their next real estate transaction.[2]

The following results were also observed:

- More than 30,000 views of the ad on YouTube
- More than 8,000 visits to the *thinkbroker.ca* microsite

At the same time, in order to promote public protection, increase the profile of mortgage brokers and showcase the advantages of doing business with this professional, the **OACIQ** designed an ad campaign entirely around this profession. To do so, we consulted with the Working group on mortgage brokerage in order to confirm the issues and the needs of the profession.

We then created a catchy concept, which was presented in four versions. Launched on September 22 in English and French for a period of more than six weeks, the Web ads achieved impressive results. Animated islands generated close to 6,000 additional hits on the **OACIQ** website.

[1] Statistics from a survey conducted by Léger Marketing between April 10 and 22, 2014.

[2] Statistics from a survey conducted by Léger Marketing between November 3 and 12, 2014.

## A common brand image

In order to adapt its actions and its message to the changing profession, the **OACIQ** got together with its industry partners. Everyone agreed to the use of a common brand image: the real estate label. This is a true seal of competence that rallies all real estate players around a common visual identity confirming the quality of the broker's profession. The public is encouraged to consider this label as a pledge of trust and added protection in a transaction.

## Media relations

Media interest in the **OACIQ** in 2014 was comparable to that of the previous year, with 90 requests for information from journalists on issues relating to the work and obligations of brokers. We also observed a higher number of requests regarding mortgage brokerage and commercial real estate brokerage. These requests led to some 27 interviews.

During the first six months of 2014, we had already been mentioned more times in the media than in all of 2013. We received 56 mentions in six months, versus 48 for all 12 months of the previous year. In total for 2014, we were mentioned close to 90 times in various written and electronic media, almost double the total for the previous year.

### *Pro@ctive* more proactive!

*Pro@ctive* is the electronic newsletter sent each week to all brokers. At the beginning of the year, knowing that brokers are very busy with their numerous professional activities, we shortened and simplified the content of the *Pro@ctive* newsletter and created a new version for agency executive officers. The result: compared with 2013, the read rate rose by 7%, from 42% to 49%, and it continues to be on the rise.

### Annual General Meeting

The Annual General Meeting gave brokers an opportunity to find out about latest trends in the profession and ways in which to adapt their practice. The Organization invited three seasoned speakers, i.e. Tom Ferry, a well-known motivational speaker from California, Jean-François Ouellet, Associate Professor of Marketing at HEC Montréal, and Martin Lessard, a consultant and expert in social media. In a survey, 97% of participants said that they appreciated the event.

Among other highlights regarding information dissemination, in anticipation of the coming into force of *Canada's Anti-Spam Legislation* on July 1, 2014, the Organization reviewed and adapted its email communication practices with real estate and mortgage brokers.

## Document access and management

The OACIQ posts on its website any document of public interest such as disciplinary decisions, opinions by the Discipline Committee and by the Licence Issue and Maintenance Committee, and all past Annual Reports.

All requests for access to documents are analyzed against the *Act respecting Access to documents held by public bodies and the Protection of personal information*. If the documents are not subject to restrictions on the right of access, and if allowed under the Act and the regulations, we forward the requested information.

During the year, the Organization received 28 access to information requests. Of these two were accepted, 12 were partially accepted, and 14 were refused, most for reasons of privacy protection, but also to protect the confidentiality of investigation files.

All employees received specific training on the application of this legislation.

### Document management

We continued to develop and implement various internal document management tools, which has yielded concrete benefits: compliant record-keeping providing quick access to complete and reliable data, a streamlining of our documentation, and a reduction in management costs.

Our efforts to implement electronic document management in all OACIQ departments will continue in 2015.

## Certification

All administrative processes relating to the Certification Department's operations were reviewed to make file processing more efficient and improve communications with brokers and future licence holders. Important changes included a simplified acquired rights maintenance process. Thus a broker whose licence has been revoked will now be able to maintain his acquired rights without requiring an agency's endorsement, and only one document will need to be sent to the Certification Department. This change will affect approximately 2,000 members.

### Active licences

The number of real estate and mortgage brokers holding a valid licence totalled 16,802 as at December 31, 2014, compared with 17,371 as at December 31, 2013. This represents a decrease of 569.

**BREAKDOWN OF REAL ESTATE AND MORTGAGE AGENCIES AND BROKERS**
**(as at December 31)**

By licence category

## BREAKDOWN OF REAL ESTATE AND MORTGAGE AGENCIES AND BROKERS (as at December 31, 2014)

| Region | Agences | Brokers | Total |
|---|---|---|---|
| **Montréal region** | | | |
| Montréal (06*) | 506 | 6,206 | 6,712 |
| Laval (13) | 105 | 2,246 | 2,351 |
| Montérégie (16) | 244 | 2,397 | 2,641 |
| **Sub-total** | 855 | 10,849 | 11,704 |
| **Québec City region** | | | |
| Capitale-Nationale (03) | 119 | 1,203 | 1,322 |
| Chaudière-Appalaches (12) | 26 | 196 | 222 |
| **Sub-total** | 145 | 1,399 | 1,544 |
| **Northeast region** | | | |
| Abitibi-Témiscamingue (08) | 8 | 56 | 64 |
| Bas-Saint-Laurent (01) | 7 | 96 | 103 |
| Saguenay–Lac-St-Jean (02) | 13 | 180 | 193 |
| Côte-Nord (09) | 5 | 38 | 43 |
| Gaspésie–Îles-de-la-Madeleine (11) | 2 | 10 | 12 |
| Nord-du-Québec (10) | 0 | 0 | 0 |
| **Sub-total** | 35 | 380 | 415 |
| **Central region** | | | |
| Mauricie (04) | 9 | 174 | 183 |
| Estrie (05) | 40 | 343 | 383 |
| Lanaudière (14) | 44 | 566 | 610 |
| Centre-du-Québec (17) | 15 | 100 | 115 |
| **Sub-total** | 108 | 1,183 | 1,291 |
| **Western region** | | | |
| Outaouais (07) | 45 | 479 | 524 |
| Laurentides (15) | 118 | 1,206 | 1,324 |
| **Sub-total** | 163 | 1,685 | 1,848 |
| **TOTAL** | 1,306 | 15,496 | 16,802 |

** The numbers in brackets indicate the numbers of Québec's Administrative Regions.*

| Franchiser | Agencies | Brokers | Total |
|---|---|---|---|
| Centres hypothécaires Dominion | 11 | 118 | 129 |
| Century 21 | 31 | 606 | 637 |
| Colliers International (Québec) inc. | 2 | 23 | 25 |
| Exit | 4 | 18 | 22 |
| Groupe Sutton | 44 | 1,949 | 1,993 |
| Hypothéca Courtier hypothécaire | 7 | 209 | 216 |
| Le Permanent | 1 | 1 | 2 |
| Multi-Prêts Hypothèques | 11 | 403 | 414 |
| Re/Max | 203 | 3,296 | 3,499 |
| Royal LePage | 61 | 1,424 | 1,485 |
| Vendirect | 2 | 258 | 260 |
| Via Capitale | 50 | 1,158 | 1,208 |
| **SUB-TOTAL** | 427 | 9,463 | 9,890 |
| Independents | 879 | 6,033 | 6,912 |
| **TOTAL** | 1,306 | 15,496 | 16,802 |

*Note: A franchiser is a company that authorizes at least one franchised agency to use its brand name and system under the terms and conditions of a franchise agreement.*

## OACIQ Info Center

As the entry point for requests for information from the public and from brokers, the OACIQ Info Center is at the heart of the Organization's activities. Throughout the year, information agents of the OACIQ Info Center received 58,884 requests for information from brokers and the public.

These information agents, who are also brokers, attend continuing education sessions which allow them to provide the most up-to-date information. Where necessary, their answers are validated by specialists from the OACIQ departments concerned; requests can also be forwarded to and handled directly by these departments. A quality assurance process also serves to optimize customer service.

In 2014, almost three out of four calls (72%) came from brokers, while 28% came from the public, which is comparable to the previous year. Ethics and forms were once again the topics that generated the highest number of requests. Interactive online trainings and the new *Mandatory continuing education program* also prompted some calls.

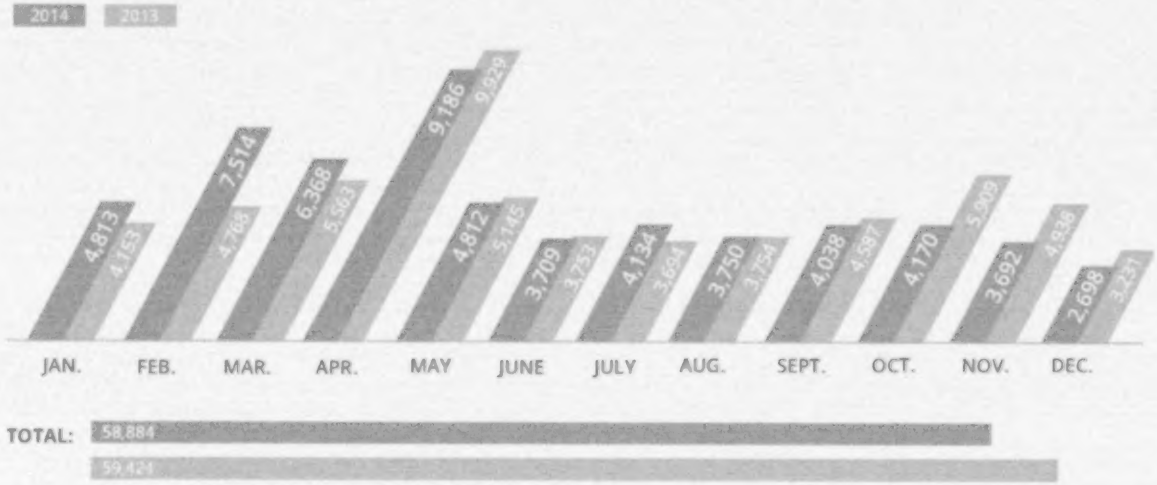
The drop in the number of requests from brokers regarding access to *Synbad*, which began in 2013, continued last year, indicating that brokers are now much more at ease with this secure site. The new beta version of *Synbad*, which went live towards the end of the year, only prompted a few requests for information or comments, which were duly noted and forwarded to the appropriate departments.

Always seeking to improve its services, in May the OACIQ Info Center set up a dedicated line for agency executive officers. This initiative met with great success, as evidenced by the more than 2,000 callers who used the line.

Also in an effort to better inform brokers, the OACIQ Info Center wrote and issued several *In the Field* articles in response to often-asked questions.

In 2015, information agents will be able to answer questions pertaining not only to transactions, but also to topical issues such as the *Mandatory continuing education program*.

**NUMBER OF REQUESTS – OACIQ INFO CENTER**



## Assistance Department

The Assistance Department is the gateway for seeking the OACIQ's help and reporting violations. Whether they come from a consumer, a broker or an agency, all requests for assistance are handled by this department. Requests are analyzed in order to determine the nature of the dispute and decide on the appropriate course of action.

Requests for the Organization's assistance in settling a dispute involving a broker are reviewed by an analyst from the Assistance Department. Most analysts are experienced brokerage licence holders qualified to act as agency executive officers. The analyst provides information on possible recourses and intervenes with the broker or the agency to help find a solution to a problem.

In 2014, the Assistance Department received 1,921 requests for assistance – a little more than in 2013, when they numbered 1,868. As in previous years, about half of the requests (52%) came from the public. The dominating factor was a reduction in case processing times which, in 2014, were on average of 95 days, compared to 144 days in 2013. Thanks to the revised work procedures in particular, the number of files in progress at the end of the year went from 537 in 2013 to 322 in 2014, which represents a drop of 40%. In addition, despite a slight increase in the number of open files during the year, the number of closed files was 2,136, i.e., an increase of 12.1% compared to 2013. Another positive effect was a marked drop in the number of complaints pertaining to processing delays.

This year again, a third of requests for assistance concerned failure by a broker to inform, verify or advise, which tells us that we must continue to inform and educate brokers about their ethical duties.

Most requests for assistance led to:

- a correction made by the broker or an agreement between the parties concerned;
- a warning to the broker;
- referral of the file to the Office of the Syndic or for investigation for illegal brokerage; or
- closing of the file because no fault was committed or for insufficient evidence.

In addition, some of these requests resulted in a commitment by the broker to attend a training activity in order to improve his professional practices. The training activities most often ordered by the Assistance Department concerned pyrrhotite, various forms (including the *Promise to purchase* and the *Exclusive brokerage contract – Sale*), as well as the simultaneous presentation of several promises to purchase.

During 2014, 62% of requests concerned transactions on residential immovables containing less than five dwellings.

In 2015, the Department's main challenge will remain to minimize processing times and to continue processing files as quickly and efficiently as possible, all in an effort to ensure public protection.

## ANNUAL COMPARISON

## Illegal brokerage

Investigation files concerning illegal brokerage were entrusted to the Office of the Syndic at the end of 2013. The highlight for 2014 is certainly the decrease in wait times to launch an investigation into illegal brokerage, which was down to four months by the end of 2014. These efforts will continue in 2015.

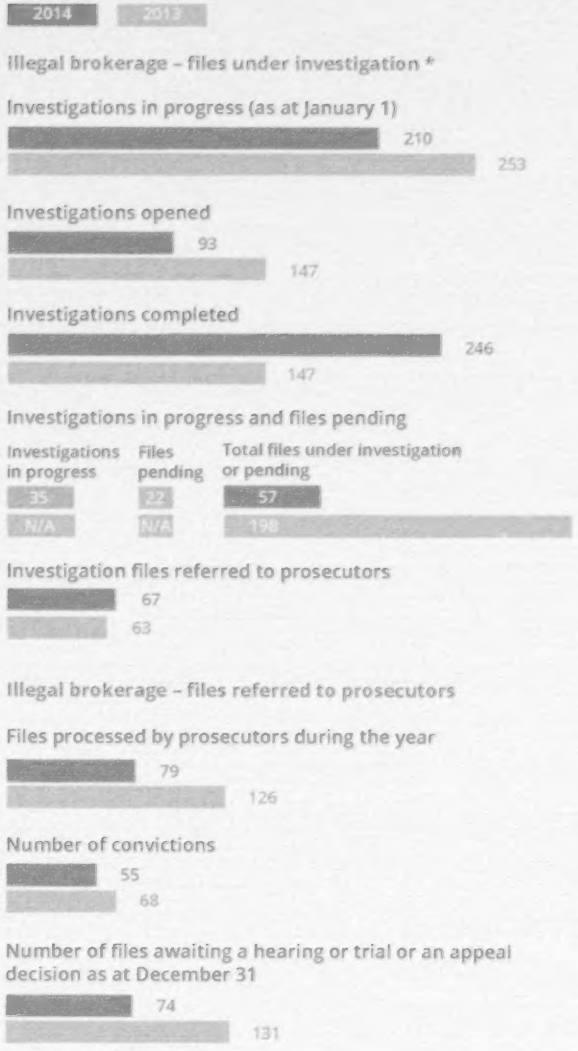
The majority of cases concerned the purchase or sale of residential immovables. Several pertained to the brokerage of loans secured by immovable hypothec. Other files involved residential or commercial property leasing.

We have observed a proliferation of new websites offering an array of services in connection with real estate transactions. Emerging sites are thoroughly investigated for illegal brokerage activity.

Once the Office of the Syndic completes its investigation, if a violation has been noted, the Syndic refers the file to **OACIQ** prosecutors who deal with illegal brokerage.

The Organization's prosecutors processed 79 files during the year. The number of convictions (further to a trial or guilty plea) obtained in 2014 was 55. The number of files awaiting a hearing or trial or an appeal decision at the end of the year was down considerably compared to 2013, dropping from 131 to 74.

### TABLE OF ILLEGAL BROKERAGE FILES




** The separation of investigations by the Office of the Syndic led to changes in the way the number of active files is tabulated for 2014, therefore 2013 and 2014 figures are not comparable. Files as tabulated by Legal Affairs remained active until a final decision was handed down, regardless of the court issuing this final decision. Since the Office of the Syndic has been tabulating active files, a file is no longer considered active once it is referred to the prosecutor.*

### Motion for declaratory judgment

Following the decision handed down by the Honourable Québec Superior Court Justice François Huot in the DuProprio inc. case, in October 2013, the **OACIQ** filed a motion for declaratory judgement with the Superior Court in order to obtain a clear definition of what constitutes a brokerage transaction under the *Real Estate Brokerage Act*. This motion is currently before the courts.

## Financial statements

In 2014, the General Operating fund registered a surplus of $661,813 compared with a loss of $1,541,046 in 2013. Revenues increased by $842,890 compared with 2013. Much of this spread is due to continuing education revenues.

### Revenues

Revenues from continuing education activities totalled $2,740,923 compared to $1,395,222 in 2013. This marked increase is due to the fact that the deadline to attend the mandatory continuing education session on *Collaboration* was pushed back in 2014 to give brokers more time to complete it.

Highlights include a general slowdown of real estate brokerage activities in Québec. Thus fees and memberships, which represent the **OACIQ**'s main source of revenue, decreased by 2.4%.

### Expenses

In anticipation of the drop in revenues, several expenses were reined in, leading to a decrease of 6% in 2014.

During the year, we were present in the media. The partnership between the **OACIQ**, the QFREB and real estate boards to produce two joint province-wide advertising campaigns resulted in a reduction in the sums invested in advertising. The cost of the two campaigns totalled $952,672. The advertising campaign on mortgage brokerage cost $60,998.

### Indemnity Fund

The activities of the Indemnity Fund generated a surplus of $592,850. The surplus in this fund, which now totals $4,690,806, is reserved for Fund activities.

## ADAPTING TO BETTER PREPARE FOR THE FUTURE

True to its public protection mission, the OACIQ continues to improve its intervention methods in order to intervene more efficiently with brokers and agencies and help the profession adapt its practices to the needs, expectations and behaviours of consumers in real estate transactions.

Among these actions, the implementation of an ambitious *Mandatory continuing education program* is a major challenge that will continue to fuel our efforts in 2015.

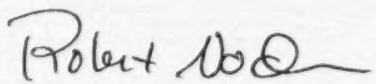
Several other motivating and mobilizing projects will see the light this year, including:

- the creation of dynamic, affordable and enriching training activities for brokers and agencies;
- the simplification of forms and procedures for consumers and brokers;
- the implementation of a consultation process on client needs and their impact on broker practices.

The improvement of our tools and processes is the result of the relentless efforts of a seasoned group of employees and professionals, whom I sincerely wish to thank. Together, they were able to adapt quickly to make the changes which we all understand are ultimately needed to allow the profession to continue to play its proper role and ensure that consumer interests are protected. These people are showing that adapting quickly to change is not only possible, but profitable for all.

I would also like to thank the members of the Board of Directors and of the various committees for their work in planning and fulfilling this important mission, as well as the brokers, whose efforts to constantly better serve the public are appreciated. In 2015, we will rely on brokers more than ever to take advantage of these tools and share their suggestions for their ongoing improvement.

Thanks to everyone's combined efforts, real estate and mortgage brokerage in Québec will emerge rejuvenated and even stronger, because our future success is directly tied to consumer protection and satisfaction. Will you join us in preparing for this future?



**Robert Nadeau**
President and Chief Executive Officer of the OACIQ

## THE OACIQ'S PERSONNEL

AS AT DECEMBER 31, 2014

### General management

**Robert Nadeau**
**President and**
**Chief Executive Officer**

Marie-Josée Forget
Executive Assistant

Florence Vailhen
Meetings/Multimedia Agent

Élise Bordeleau Monchamp
Agent, reception

Annie Cadorette
Receptionist

### Financial and Material Resources Management

**Vo-Long Truong**
**Vice-President**

Marie-Claude Morin
Administrative Assistant

**MATERIAL RESOURCES MANAGEMENT**

Chantale Drolet
Manager

Pier-Paul Micheletti
Network Administrator

Raynald Chiasson
Store Coordinator

Réjean Denis
Agent, User/Technical Support

François Chiasson
Agent, User/Technical Support

**ACCOUNTING AND FINANCE**

Marie-Pierre Drasse
Manager

Catherine Beaulac
Coordinator

Virginie Sinotte Lefebvre
Senior Accountant

Lyne Plamondon
Accounts Payable Agent

Joanne Moreau
Accounts Receivable Agent

Jessica Blanchet
Technician, Payroll
and Accounting

### Human Resources

**Caroline Gauthier**
**Vice-President**

Magalie Odnéus
Advisor

Nathalie Descôteaux
Agent

**Claude Barsalou**
**Executive Vice-President and Secretary**

**General Management**
Mélanie Barron
Administrative Assistant

**INSPECTION**

Francine Boucher
Manager

Diane Martineau
Coordinator

Jean-Luc Meunier
Inspector

Lyne Audet
Inspector

Céline Larouche
Inspector

Stefan Comtois
Inspector

Geneviève Larouche
Inspector

Mario Busque
Inspector

Lisa Gougeon
Agent

Johanne Langlois
Agent

Doreen Carrière
Agent

**ASSISTANCE**

Louise Dessureault
Manager

Pascale Montpetit
Analyste

Christiane Jalbert
Analyst

Éric Roy
Analyst

Martine Fréchette
Analyst

Claude Cadorette
Analyst

Geneviève Desrosiers
Analyst

Lucie Hynes
Analyst

Hélène L'Hérault
Analyst

Karyne Dubreuil
Technician \ Analyst

Théodorine Zikey Soko
Agent

## Syndic

**Hélène Morand**
**Syndic**

Mario Baillargeon
Records Coordinator

Réjean LeBel
Operations Manager

Giovanni Castiglia
Assistant Syndic/Advisor

Julie Pinet
Assistant Syndic

Richard Frigon
Assistant Syndic

Robert Deschamps
Assistant Syndic

Yves Gardner
Assistant Syndic

Sylvie Jacques
Assistant Syndic

François LeBel
Assistant Syndic

Martin Cayer
Assistant Syndic

Isabelle Daoust
Agent

Carleta Calin
Agent

## Legal Affairs

**Anaïk Le Goff**
**Vice-President**

Marie-Josée Le Sauteur
Paralegal / Administrative Assistant

Jean-François Savoie
Legal Counsel

Ouafa Younes
Law Student

**LEGAL AFFAIRS**

Luc Pelletier
Manager

Isabelle Charlebois
Lawyer

Mélanie Dufault
Lawyer

Annie Dulude
Lawyer

Isabelle Lafrenière
Lawyer

Isabelle Simard
Lawyer / Analyst

Annie Ferland
Administrative Assistant

**LITIGATION**

Karoline Khelfa
Manager

Jean-Philippe Leroux
Lawyer

Isabelle Martel
Lawyer

Emmanuelle Ouimet-Deslauriers
Lawyer

Vanessa Joannisse-Goulet
Lawyer

Laurence Rey El Fatih
Lawyer

Chabha Amirèche
Paralegal

Anick Beauregard
Paralegal

Diane Lapointe
Administrative Assistant

Brigitte Savard
Agent

**Claudie Tremblay**
**Executive Vice-President**

**General Management**
Brigitte Guilbault
Legal Assistant

**CERTIFICATION ET DOCUMENT MANAGEMENT**

Sylvie Spérano
Manager

Stéphanie Hall
Archivist

Tony Chin
Coordinator

Marie-Ève Gagnon Bird
Agent

Sophie Desfossés
Agent

Janette Rodriguez
Agent

Manon Pouliot
Agent

Brigitte Bissonnette
Agent

Diane Vallée
Agent

Isabelle Hétu
Agent

Martine Lapierre
Technician

Mathieu Chiasson
Clerk

**REGISTRIES**

Patricia Couture
Manager

Annie Hudon
Lawyer

Renée Dionne
Discipline Committee Secretary

Estelle Richard
Administrative Assistant

Sylvie Desjardins
Discipline Committee Assistant Secretary

Christiane Moreau
Records Agent,

Hearing Clerk
Sophia Di Gregorio

Records Agent,
Hearing Clerk

Julie Tremblay
Agent

## Communications and IT Development

**Sofy Bourret**
**Vice-President**

Chantal Gauthier
Administrative Assistant

**COMMUNICATIONS AND PUBLIC RELATIONS**

katia Aubin
Acting Manager

Maude Bujeault Bolduc
Manager

Caroline Girard
Advisor

Véronique Parret
Publishing Advisor

Michel Legault
Writer-Reviser

Rachid Tiji
Translator-Reviser

Stéphanie Fournier
Agent

**CREATION**

Martyne Dubuc
Manager

Anastasios Mantas
Graphic Designer

Karen Hamelin
Computer Graphics Designer

Tri-Dao Tsang
E-learning Computer Graphics Designer

**IT DEVELOPMENT**

François Gagnon
Manager

Jacky Vaillancourt
Coordinator

Jean-François Veillette
Software Developer

Martin Boulanger
Software Developer

Mathieu Clusiau
Software Developer

Hafid Ouazib
Software Developer

Imad Mouaddine
Software Developer

Abdelkarim Moumen
Software Developer

**INFO OACIQ**

Sandra Barrette
Manager

Bibiane Laliberté
Coordinator

Louise Aubé
Quality Assurance Agent

Louise Bonneau
Information Agent

Donald Alan Roy
Information Agent

Denyse Proulx
Information Agent

François Xavier Painsecq
Information Agent

Guylaine Turgeon
Information Agent

Maud Isabel
Information Agent

Sihem Zellagui
Information Agent

Isabelle Malouf
Information Agent

Catherine Leblanc-Landry
Information Agent

## Education

**Patricia Piuze**
**Vice-President**

Rim Hadjem
Administrative Assistant

Patrick Hiriart
Broker/Consultant

**CONTINUING EDUCATION**

Élise Marsolais
Manager

Luce Gosselin
Advisor

Pierre-Yves Legault
Advisor

Marjolaine Lewis
Advisor

Marie-Josée Damico
Technician

Colette E. Gaines
Coordinator

Linda Guérin
Advisor

**BASIC TRAINING AND EXAMINATIONS**

Élise Marsolais
Acting Manager

César Dos Santos
Training Specialist

Hélène Ste-Marie
Training Specialist

Mélanie Caron
Training Specialist

Louise Beaupré
Agent

Maryse Bourgeault
Agent

Line Lemieux
Agent

Dino Di Massimo
Agent

Julie Gagnon
Agent

PROGRESS

# REPORT FROM THE SYNDIC

**Me HÉLÈNE MORAND**
Syndic

The mission of the Office of the Syndic is to be the keeper of the professional integrity of brokers while ensuring that the interpretation of the various sections of the *Real Estate Brokerage Act* is in line with the practices and realities in the field. In so doing, the Office of the Syndic fulfils its public protection role.

## A VALUABLE ROLE

The role of Syndic is, upon request from the Assistance Department, to investigate alleged violations of the *Real Estate Brokerage Act* and the regulations thereunder by a broker or an agency, including a director or executive officer of an agency. Requests for assistance can come from consumers or licence holders. All investigation files handled by the Office of the Syndic are confidential under the law.

Once an investigation has been completed, the Syndic must determine whether or not to file a complaint with the OACIQ Discipline Committee. The Syndic must also inform, in writing and within a reasonable time period, any person who has requested an investigation of his decision to file or not to file a complaint. If the decision is not to file a complaint, the Syndic must explain the reasons for his decision. The person who has requested an investigation has 30 days following receipt of the Syndic's decision not to file a complaint to request an opinion from the Syndic Decision Review Committee.

If the Syndic does file a complaint with the Discipline Committee, the licence holder concerned will be informed by bailiff of the charge(s) pending against him and of the notification to attend a provisional roll call. The Syndic, via his prosecutors, will notify the licence holder of all the documentary evidence on which the charges are based.

The Syndic has all the powers of a public inquiry commissioner, except that of ordering a prison sentence. He may question any broker, any agency and its officers and administrators, and any other witness, and all are obliged to answer his questions. The Syndic can even issue a warrant against a witness.

## 2014, a consolidation year

In 2014, the processes implemented in 2013 to tackle the problem of processing times continued to yield results. Investigation methods were reviewed, adapted and refined, including in connection with the penal system, which differs from disciplinary law. Changes to our computer systems enabled us to harmonize the two areas of the Office of the Syndic and to ensure ongoing monitoring of the progress of files.

### Achievements

The mechanisms put in place to address the problem of processing times led to a marked improvement in that area. Indeed, the average processing time decreased from 440 to 225 days.

## HIGHLIGHT: THE FIGHT AGAINST FALSE DOCUMENTS

*With the growhouse phenomenon now greatly reduced, the current scourge is without a doubt the fabrication and sending of false documents, particularly to obtain mortgage loans. Unlike growhouses, where broker education greatly helped resolve the problem by helping them recognize the signs left on a property, a forger commits his crime with full knowledge of the facts. Because his deed allows him to get huge amounts of money, a simple fine will not be a great deterrent. And what of the harm done to the profession as a whole and the loss of public trust, especially when these stories make headlines.*

*No profession should tolerate the presence of fraudsters in its ranks; suspending the right to practice is the only option to recommend to the Discipline Committee for this type of offence, according to the syndic. A profession that is strong, a leader in its field and recognized as such by the public demands this type of remedy.*

### INVESTIGATIONS INVOLVING OACIQ LICENCE HOLDERS

### Offences

These were the main types of offences referred to the Discipline Committee in 2014:

- Problem with verification, information and advice;
- Fabricating or providing false documents;
- Failure to collaborate;
- Obstruction or failure to collaborate with the Syndic;
- Fraud;
- Conflicts of interest;
- Appropriating deposits or misappropriating funds;
- Encouraging illegal real estate or mortgage brokerage practices.

### Related activities

In order to maintain a good understanding of the realities of working in the field, the Syndic and her team are very present with brokers. This is done in different ways, including by taking part in the OACIQ's various working groups, via the many education activities presented throughout the province, by attending the meetings of real estate boards, and by publishing several articles on good practices.

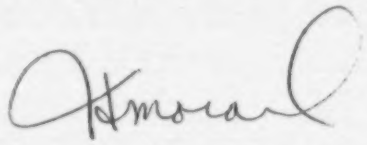
## What's ahead for 2015?

In an effort to encourage organizational efficiency, starting in 2015 relevant information of investigations done by the syndic will be forwarded to the Indemnity Committee. This new way of operating will avoid duplication of tasks, since in cases involving fraud or fraudulent tactics, the Syndic investigates the same facts.

This new method means that all OACIQ "investigations", whether they are related to discipline, illegal brokerage or obtainment of evidence regarding indemnity cases, will be centralized at the Office of the Syndic; this will promote skills development and process consistency.

In 2015, the Office of the Syndic will continue to fulfill its mission with the same professionalism and efficiency that went into reducing processing times, thus helping to improve public protection even further.

I would like to thank all the members of this team, without whom these outstanding results would not have been possible.



**Me Hélène Morand**
OACIQ Syndic

# REPORT FROM THE SYNDIC DECISION REVIEW COMMITTEE

**Mᵉ MICHÈLE GAGNON**
Chair of the Syndic
Decision Review Committee

***Under the* Real Estate Brokerage Act, *a Syndic Decision Review Committee was formed. The role of this committee is to issue an opinion, upon request by the person who requested the investigation, on the Syndic's decision not to file a complaint before the OACIQ Discipline Committee.***

Once the Syndic completes his investigation, he may decide to either file a complaint before the Discipline Committee or to close the file without filing a complaint, with or without a commitment on the part of the broker. In cases where the Syndic decides not to file a complaint, he has an obligation to inform the applicant of the reasons for this decision in his closing notification letter.

A person who applied to the Syndic to investigate a case may, within 30 days following receipt of the Syndic's decision not to file a complaint before the Discipline Committee, request an opinion from the Syndic Decision Review Committee.

In this opinion the Committee may conclude that the filing of a complaint before the Discipline Committee is not justified, suggest that the Syndic complete his investigation and render a new decision as to the validity of filing a complaint, or conclude that the filing of a complaint before the Discipline Committee is justified and suggest the appointment of an *ad hoc* syndic who, after investigation, will decide whether or not to file a complaint.

The Committee may also suggest that the Syndic refer the case to the Inspection Committee.

## Members of the Committee

The Syndic Decision Review Committee is comprised of a minimum of three and a maximum of nine members, including a Chair, appointed for a three-year term by the OACIQ Board of Directors, which also appoints one or more Vice-Chairs.

During the year, the Board of Directors appointed Patricia Gaulin as Vice-Chair as well as Andrée Tremblay and Éric Bilodeau as members of the Committee.

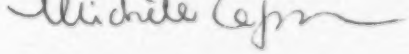
## Activities of the Committee

In 2014, the Committee met 17 times and issued 25 opinions in 22 cases.

In 16 of these cases, the Committee confirmed the Syndic's decision and concluded that a complaint before the Discipline Committee was not justified. In five cases, it suggested that the Syndic complete his investigation, and in two more cases, the Committee concluded that a complaint before the Discipline Committee was justified, and to this effect, suggested the appointment of an *ad hoc* syndic.

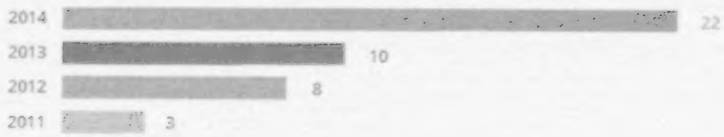
In two cases, the Committee recommended that the Syndic refer the case to the Inspection Committee. In one of these cases, the recommendation was coupled with a confirmation of the Syndic's decision not to file a complaint, and in the other case, a recommendation to complete the investigation.

In one case, the Committee issued two separate opinions regarding two brokers concerned by the same request for an opinion.



**Me Michèle Gagnon,**
Chartered Real Estate Broker / AEO
Chair of the Syndic Decision Review Committee

### CASES REVIEWED




### OPINIONS ISSUED IN 2014

| | |
|---|---|
| Complaint before the Discipline Committee not justified | 16 |
| Suggest that the Syndic complete his investigation | 5 |
| Complaint before the Discipline Committee justified and suggest appointment of an *ad hoc* syndic | 2 |
| Suggest that the Syndic refer the case to the Inspection Committee | 2 |
| TOTAL | 25 |

## MEMBERS OF THE SYNDIC DECISION REVIEW COMMITTEE

### Chair

Me Michèle Gagnon
Chartered Real Estate Broker / AEO

### Vice-Chairs

Raymond Ayas
Chartered Real Estate Broker / AEO

Patricia Gaulin
Chartered Real Estate Broker / AEO

### Members

Pierre Albert
Real Estate Broker

Éric Bilodeau
Chartered Real Estate Broker / AEO

Francine Thibeault
Chartered Real Estate Broker / AEO

Andrée Tremblay
Real Estate Broker

# REPORT FROM THE DISCIPLINE COMMITTEE

**Me PATRICK DE NIVERVILLE**
Chair of the Discipline Committee

The Discipline Committee reviews all complaints made against OACIQ licence holders for violations of the provisions of the *Real Estate Brokerage Act* and its regulations.

The Discipline Committee is constituted pursuant to this Act and is fully autonomous and independent from the Organization's Board of Directors and staff.

The *Real Estate Brokerage Act* allows, among other things, for the appointment of a Chair and several Vice-Chairs. Thus in addition to the Chair, the Committee is comprised of nine Vice-Chairs and forty-eight real estate or mortgage brokers.

Complaints are normally reviewed by a division of the Committee consisting of three members, including two brokers and the Chair or a Vice-Chair. The members of the profession who sit on the Committee are selected from a group of real estate or mortgage brokers appointed to the Discipline Committee for a three-year term by the OACIQ Board of Directors. The Board also appoints the Committee's Secretary and Assistant Secretaries.

## Discipline Committee complaints, hearings and decisions (Tables I and II)

### (January 1 to December 31, 2014)

The complaints heard by the Discipline Committee usually relate to serious offences. As at December 31, 2014, the Organization's Office of the Syndic had filed 104 complaints with the Discipline Committee.

In 2014, the Committee held 256 hearing days. Of the hearing days scheduled for the year, 77 were postponed and 90 were cancelled. Hearing days are usually cancelled when the defendant pleads guilty where several hearing days on guilt had been scheduled, or when the hearing on guilt requires fewer days than scheduled.

During this period, the Committee rendered 183 decisions in the same number of cases, including 50 decisions on penalties following a decision on the defendant's guilt, 114 decisions on penalties following

a guilty plea, and seven decisions acquitting the defendant on all counts against him and rejecting the complaint. The Committee also accepted a request to withdraw the complaint from the Office of the Syndic in 12 cases.

The Committee rendered 45 decisions in which the defendant was found guilty.

## Penalties (Tables III and IV)

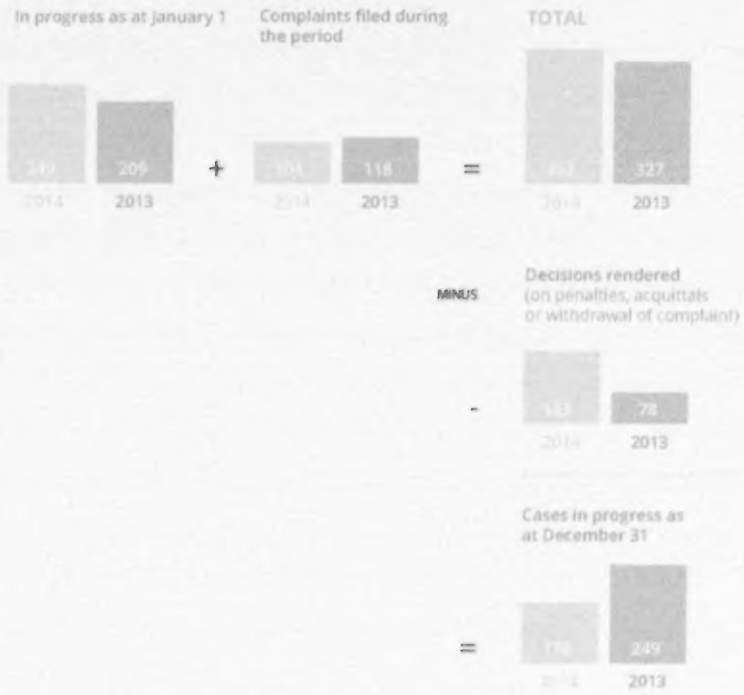
Under the *Real Estate Brokerage Act*, the Discipline Committee may impose various penalties ranging from a reprimand to a licence suspension or revocation. The Committee may also impose fines of a minimum of $1,000 and a maximum of $12,500 per violation count. Penalties are determined by the Committee based on the seriousness and the circumstances of the offence, with a view to protecting the public.

The Committee issued reprimands on 104 violation counts and imposed fines on 311 counts, for a total sum of $519,800. The payment of costs is generally ordered each time a guilty decision is rendered. In addition, in eight cases the Committee required the defendant to attend a course or training session, and in 12 cases, conditions or restrictions or other orders such as the obligation to be supervised, were applied to the licence. Licence suspensions were ordered on 413 violation counts, with suspension periods ranging from a few days to permanent suspension.

## Cases appealed before the Court of Québec or undergoing judicial review before the Superior Court (Table V)

The *Real Estate Brokerage Act* allows for certain decisions by the Committee to be appealed before the Court of Québec. In 2014, 14 Discipline Committee decisions were appealed before the Court of Québec, and six decisions were rendered by the Court of Québec on appeals of Discipline Committee decisions. In addition, two decisions handed down by the Court of Québec led to a request for judicial review before the Superior Court.

**TABLEAU I — NUMBER OF CASES IN PROGRESS**



## TABLEAU II — HEARINGS – POSTPONEMENTS – DECISIONS

**Hearing days held (total)**

Hearing days postponed

Hearing days cancelled

**Decisions rendered by the Committee**

Guilty verdict (excluding acquittals)

Penalty imposed

Penalty imposed following a guilty plea

Non-guilty verdicts (on all counts) / Complaint rejected

Decisions on complaint withdrawal motions

Decisions on various motions / Preliminary applications (excluding provisional suspension orders)

Provisional suspension orders

## TABLEAU III — PENALTIES ORDERED BY THE COMMITTEE*

Reprimands

Fines

Courses / Training sessions

Conditions or restrictions

Suspensions

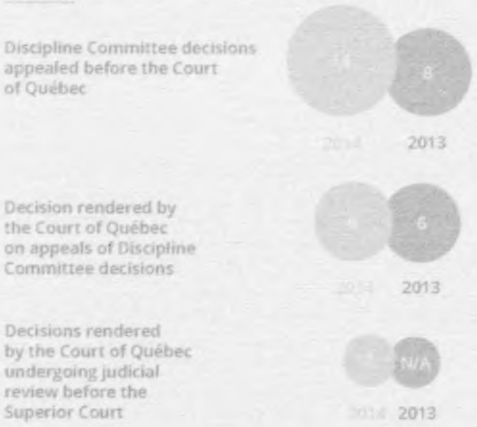
Revocations

Other orders

** Penalties imposed by the Discipline Committee for 2014 are calculated per violation count, whereas in 2013 fines and suspensions were calculated per case.*

### TABLEAU IV — FINES

### TABLEAU V — CASES APPEALED BEFORE THE COURT OF QUÉBEC OR UNDERGOING JUDICIAL REVIEW BEFORE THE SUPERIOR COURT


Discipline Committee decisions appealed before the Court of Québec
6
2013
Decision rendered by the Court of Québec on appeals of Discipline Committee decisions
6
2013
Decisions rendered by the Court of Québec undergoing judicial review before the Superior Court
N/A
2013

## Basis of charges

The complaints brought before the Discipline Committee may relate to violations under the *Real Estate Brokerage Act* and the regulations governing its application. It should be noted that a charge may be brought under more than one section of the Act or regulations.

I wish to thank the Registry staff, all the members of the Committee and the Vice-Chairs for their availability and their exemplary contribution to the work of the Discipline Committee.

**Me Patrick de Niverville**
Chair of the Discipline Committee

# MEMBERS OF THE DISCIPLINE COMMITTEE AS AT DECEMBER 31, 2014

### Chair
Me Patrick de Niverville

### Vice-Chairs
Me Luc Audet
Me Patrick Choquette
Me Avelino De Andrade
Me Armand J. Elbaz
Me Daniel M. Fabien
Me Margueritte M. Leclerc
Me Caroline Malo
Me Jean-Pierre Morin
Me Martine Perreault

### Vice-Chairs completing their files
Me Claude G. Leduc
Me Erick Vanchestein

### Members
Ariëns, Imelda
Arzik, Abdel
Barrette, Renée
Belley, Louise
Berkers, Petrus
Bolduc, Danielle
Brosseau, Sacha
Bureau, Denis
Cholette, Ginette
Ciocca, Salvatore
Corbeil, Jean-Marc
Côté, Mélissa
D'Aoust, Robert
Descoteaux, Marcel
Dufresne, Yvan
Dufresne, Yves
Dupras, Marie-Andrée
Fecteau, Luce
Forlini, Nancy
Gagnon, Normand
Gauthier, Stéphanie
Giroux Laveau, Lana
Goulet, Christian
Guertin, Jean
Guilbert, Marie-Josée
Hardacker, Lois
Havard Grisé, Suzanne
Lamirande, Mario
Langelier, Michèle
Lavieville, Clara
Léger, Éric
Lemaire, Frantz
Leroux, Robert
Liboiron, Michel
Mailloux, Luc
Marchand, Denyse
Merrien, Thierry
Morrow, René
Nicolas, Habib
Paquin, Michel
Racine, Normand
Roy, Louise
Ruiz, Carlos
Stathakis, Georgios
Thibault, Renaud
Thibault, Sylvain
Vidal, Anouk
Villiet, François

# REPORT FROM THE INSPECTION COMMITTEE

**MARC-ANDRÉ PILON**
Chair of the Inspection Committee

The Inspection Committee oversees broker and agency activities using a prevention-based approach, helping to improve professional practices while having a direct impact on our profession's quality standards. The interventions by the Committee, and the Inspection Department which reports to it, help brokers better master the ins and outs of their profession and to be recognized by their peers and the public. The OACIQ Inspection Department is a true ally for brokers and agencies, valuing their work and promoting the profession.

## Residential and commercial real estate brokerage and mortgage brokerage

In 2014, the pace of inspections was maintained compared to the previous year. Inspectors visited a total of 402 establishments, including 304 agencies and brokers acting on their own account in residential real estate brokerage, 70 in commercial real estate brokerage, and 21 in mortgage brokerage. The establishments inspected also included seven agencies and brokers acting on their own account whose licences were valid but who had not engaged in brokerage activities during the year.

## Skills-based verification

Inspections of broker skills continued in 2014, with a total of 2,032 brokers receiving findings from an inspector. The inspector's observations and recommendations, in the form of a personal report sent to each broker inspected, are specifically aimed at professional acts relating to the way a broker uses his knowledge, maintains his records and carries out the contracts and transaction proposals he has drafted and negotiated, according to his specific field of practice. This has a direct impact on public protection and a real and positive impact for brokers.

## Remote inspections

Thanks to the electronic document management (EDM) systems implemented by some agencies, the Inspection Department was able to perform 708 remote inspections in 2014 out of the 2,032 skills-based verifications. This type of inspection allows inspectors to analyze brokerage contract and transaction records without having to go on site. The Inspection Department intends to take advantage of remote inspection opportunities wherever possible.

## Electronic transmission of inspection reports

In an effort to protect the environment, broker and agency inspection reports are uploaded electronically in a secure and confidential manner on *Synbad*, the OACIQ secure site. An email is then sent to agency executive officers and brokers to let them know their inspection report is available for review. Of course the Inspection Department remains available to answer questions or comments from brokers or agency executive officers following receipt of the report.

## Inspection Committee recommendations

The Inspection Committee can make any recommendation it deems appropriate. In addition, if the Committee notes a violation to the *Real Estate Brokerage Act* or the regulations thereunder, it can notify the Syndic.

Throughout the last 20 years, the Committee has gradually established an inspection schedule allowing agencies and brokers acting on their own account to be inspected regularly on a four-year cycle. This allows the Committee to see where improvements have been made, but also to identify repeated violations. It is because of the latter that the Committee and the Inspection Department reinforced the program this year by asking for commitments on the part of the agency executive officers or the brokers concerned to comply with the Act and its regulations and to attend a targeted training activity.

This year, these changes led to the signing of 296 undertakings, of which 183 also included the obligation to attend one or two training activities. The most common violation for a broker is failing to send to the agency – or, in the case of a broker acting on his own account, failing to have – the documents necessary to maintain the records and registers and supporting the information contained on detailed description sheets.

Most brokers who were imposed a training session had to attend the continuing education activity *Record documentation*. Considering that in 2014 more than 2,000 brokers underwent a skills-based inspection, it is good news that there were not more commitments to attend training activities.

Other recommendations issued by the Committee to certain brokers or agency executive officers following inspections pertained mainly to three recurring problems:

- non-disclosure of remuneration agreements for referral to a mortgage lender;
- claiming remuneration on one's own purchase of an immovable or enterprise
- deposit indicated in the promise to purchase but not collected;

In 2014, 128 files were submitted to the Inspection Committee, of which 15 were referred to the Syndic for further investigation.

## Online self-inspection

Regular inspections are supplemented by an online self-inspection questionnaire, which must be completed each year by all agencies and brokers acting on their own account. The questionnaire exists in short-form and long-form formats; the latter is the equivalent of an actual inspection since it covers every aspect of a brokerage office's management, including advertising, brokerage and transaction records, conflicts of interest and disclosures – namely regarding referrals, trust accounts, document management and information confidentiality. Several statistics are collected in this way to enable us to help agency executive officers and brokers acting on their own account improve certain aspects of their practice. To this effect, we publish self-inspection highlights each year. In 2014, a total of 1,496 short-form questionnaires and 251 long-form questionnaires were sent and completed by agency executive officers and brokers acting on their own account.

## Trust accounts

The Inspection Committee works to encourage the payment of a deposit with every transaction. Inspectors always emphasize the ease with which a trust account can be managed, while ensuring compliance with the rules of ethics, which consist in recommending the payment of a reasonable deposit when a broker acts as intermediary in a brokerage transaction. They will continue to deliver the message by stressing the advantages of a deposit and the fact that a trust account is a value-added service that helps brokers set themselves apart from the competition.

## Start-up sessions

The Inspection Department invites new agencies or brokers acting on their own account to attend a start-up session. This consists in a half-day training session that also serves as an initial inspection. It allows participants to review the responsibilities of the agency executive officer and of the broker acting on his own account, as well as the various aspects of the keeping of records and registers, broker supervision, disclosure obligations, and conflict and dispute management. A total of 69 agency executive officers or brokers acting on their own account attended these sessions in 2014.

## Favourably perceived

In order to ensure the quality of the services it offers to agencies and brokers who have undergone an inspection, the Inspection Committee sends them an appreciation questionnaire. This year, 124 questionnaires were returned and the results were again very positive, confirming that licence holders appreciate the principle of assistance and prevention championed by the Committee.

On behalf of the members of the Committee, I would like to thank the entire Inspection Department staff for their cooperation.

**Marc-André Pilon**
Chair of the Inspection Committee

## 2014 STATISTICS

### INSPECTIONS OF AGENCIES AND BROKERS ACTING ON THEIR OWN ACCOUNT

| | Commercial | Mortgage | Residential | Other (inactive) | Start-ups | Self-inspection – Long-form questionnaire | TOTAL |
|---|---|---|---|---|---|---|---|
| 2014 | 70 | 21 | 304 | 7 | 69 | 251 | 722 |
| 2013 | 65 | 22 | 307 | 7 | 78 | 282 | 761 |
| 2012 | 69 | 40 | 283 | 11 | 113 | 345 | 861 |

| | Reports to brokers, skills-based |
|---|---|
| 2014 | 2 032 |
| 2013 | 1 942 |
| 2012 | 1 883 |

### SELF-INSPECTION OF AGENCIES AND BROKERS ACTING ON THEIR OWN ACCOUNT – ONLINE

Long-form and short-form questionnaires

| | |
|---|---|
| 2014 | 1 747 |
| 2013 | 1 869 |
| 2012 | 1 886 |

### TOTAL NUMBER OF AGENCIES AND BROKERS ACTING ON THEIR OWN ACCOUNT WHO HAVE A TRUST ACCOUNT

At the end of December of each year

| | |
|---|---|
| 2014 | 1 453 |
| 2013 | 1 491 |
| 2012 | 1 573 |

### COMMITMENTS ORDERED BY THE INSPECTION COMMITTEE AND DEPARTMENT

Attend an education session or comply with various regulatory obligations

| | |
|---|---|
| 2014 | 296 |
| 2013 | 28 |
| 2012 | 20 |

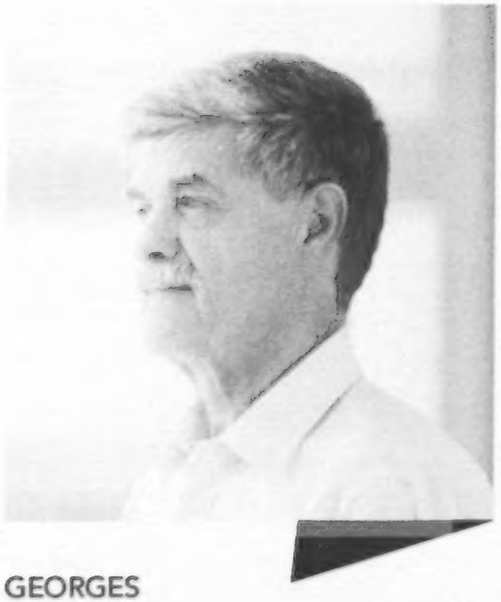
## MEMBERS OF THE INSPECTION COMMITTEE

The members of the Inspection Committee for 2014 were:

**Chair**
Marc-André Pilon

**Members**
Laurent N. Benarrous
Diane Bourbonnière
Nathalie Clément

# REPORT FROM THE LICENCE ISSUE AND MAINTENANCE COMMITTEE



**GEORGES HALASZ**
Chair of the Licence Issue and Maintenance Committee

***The mission of the Licence Issue and Maintenance Committee is to make decisions regarding licence issue or maintenance where an applicant or a licence holder has had his licence revoked, suspended or made subject to restrictions or conditions by the OACIQ Discipline Committee or by another body overseeing real estate brokerage, assigns his property, or is the subject of a receiving order, protective supervision of a person of full age, or a disciplinary, penal or criminal conviction having a link with the activity of real estate broker or agency.***

The role of the Licence Issue and Maintenance Committee under the *Real Estate Brokerage Act* (R.S.Q., c. C-73.2) consists particularly in determining whether public protection warrants the application of such measures as provided under the Act where an applicant or a licence holder has been found guilty of or has pleaded guilty to a penal or disciplinary offence or a criminal act, to the extent where the Committee has established that this offence or act has a link with the activity of real estate broker or agency.

If an application for issuance is submitted to the Committee, the latter has the power to review all criminal, penal or disciplinary convictions, regardless of when the person was found or pleaded guilty.

When deciding on licence maintenance, the Committee may take into account any criminal, penal or disciplinary conviction which occurred since May 1, 2010.

In addition, the Committee may review cases involving bankruptcy, guardianship, curatorship or appointment of an adviser to a person of full age, as well as cases where an applicant or licence holder has had his licence revoked, suspended or made subject to restrictions or conditions by the OACIQ Discipline Committee or by a body in another province or state responsible for overseeing and monitoring real estate brokerage. In the latter cases, the Committee may decide to impose one of the measures provided for under the Act where the protection of the public warrants such measure.

Depending on circumstances, the Committee may refuse to issue a licence to an applicant, or to issue it by imposing restrictions or conditions thereon. The Committee may also take measures against a licence holder, including suspending or revoking a licence or making it subject to restrictions or conditions.

The Committee may also issue an opinion on the decision it could render if a person or company were to apply for a broker or agency licence, this before steps are taken regarding such an application.

Such an opinion issued by the Committee does not constitute a decision within the meaning of section 37 of the *Real Estate Brokerage Act*. The Committee will have to re-examine the case when an application for issuance is actually submitted, and will render a decision based on the facts presented and the circumstances prevailing at that time. This means that in some cases the final decision could differ from the preliminary opinion issued.

## Members of the Committee

The Licence Issue and Maintenance Committee is comprised of a minimum of three and a maximum of nine members, including a Chair, appointed for a three-year term by the **OACIQ** Board of Directors, which also appoints one or more Vice-Chairs.

The year 2014 was marked by the resignation of Marc-André Filion as Vice-Chair and member of the Committee. We thank him for his generous and significant contribution to the work of the Committee.

Also of note is the appointment by the Board of Directors, on September 12, 2014, of Jean-Guy Savoie as member of the Committee. At the same meeting, the Board reappointed Georges Halasz as Chair.

## Activities of the Licence Issue and Maintenance Committee

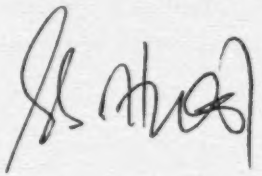
### From January 1 to December 31, 2014

In 2014, the Committee processed 70 cases over the course of 13 sessions. Thus the Committee reviewed the cases of 38 individuals applying for a real estate or mortgage brokerage licence, the cases of 21 licence holders, and 11 applications for advance decisions. These cases involved the following situations: 28 penal offences or criminal acts and 42 assignments of property. Following are the details.

The Committee reviewed 38 applications for issuance of a real estate or mortgage brokerage licence. Of these, the Committee established the existence of a link between 14 criminal, penal or disciplinary convictions and the activity of real estate broker or agency. In one case, the Committee decided that the appropriate action under the circumstances was to refuse to issue the licence, and in two more cases, that the licence could be issued with conditions or restrictions. The Committee also reviewed licence applications involving an assignment of property. The licence was issued in all cases, but in four cases, the Committee determined that the licence should be issued with conditions or restrictions

The Committee also reviewed the files of 21 brokers, including 19 concerning assignment of property situations. In 10 of these cases, the Committee determined that the licence could be maintained without conditions or restrictions, and in the other nine, it concluded that the licence could be maintained with conditions or restrictions. The other two files involved criminal offences. The Committee established the existence of a link in one case, but did not impose conditions or restrictions on the licence, due to the particular circumstances of this case.

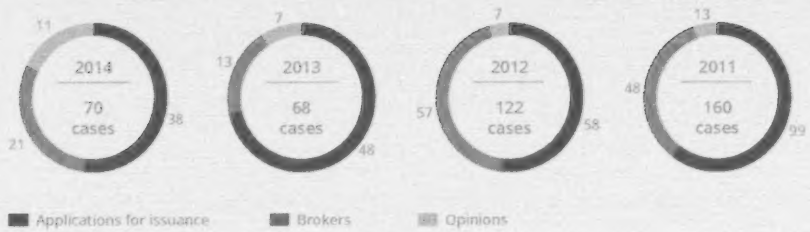
Finally, the Committee issued an opinion on 11 applications for advance decisions. In 10 of these cases, the Committee determined that the licence could be issued. In one case, the Committee felt that the appropriate measure in the circumstances was to issue the licence with conditions or restrictions.



**Georges Halasz,**
Chartered Real Estate Broker / AEO

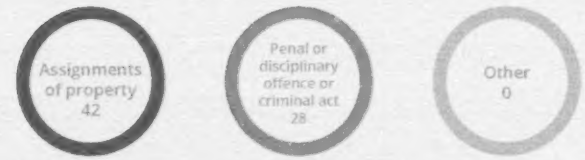
Chair of the Licence Issue
and Maintenance Committee

## CASES REVIEWED




## DECISIONS RENDERED BY THE COMMITTEE IN 2014

## CIRCUMSTANCES REVIEWED BY THE COMMITTEE IN 2014






# MEMBERS OF THE LICENCE ISSUE AND MAINTENANCE COMMITTEE

### Chair

Georges Halasz
Chartered Real Estate Broker / AEO

### Vice-Chairs

Marc-André Filion, LL.L. (until March 21, 2014)
Chartered Real Estate Broker / AEO

Paul Huard
Chartered Real Estate Broker / AEO

### Members

Bertrand Côté
Real Estate Broker

Jean-Luc Pulinckx
Real Estate Broker

Raymond-Noël Vaillancourt (member until April 1, 2014))
Chartered Real Estate Broker / AEO

Johanne Vincent
Chartered Real Estate Broker / AEO

Jean-Guy Savoie
Chartered Real Estate Broker / AEO

# REPORT FROM THE INDEMNITY COMMITTEE

**Me NADA NAJM**
Chair of the Indemnity Committee

***Created on May 1, 2010 by the Real Estate Brokerage Act, the Indemnity Fund is dedicated to the payment of indemnities to victims of fraud, fraudulent tactics or misappropriation of funds for which a broker or agency is responsible.***

***The Indemnity Committee, created within the OACIQ, rules on the eligibility of claims submitted to it and decides on the amount of compensation to be paid.***

The Indemnity Fund, which is managed by the OACIQ, is dedicated to the payment of indemnities to victims of fraud, fraudulent tactics or misappropriation of funds for which a real estate or mortgage broker or agency is responsible. The role of the Indemnity Committee, created within the Organization, is to decide on the eligibility of claims filed against brokers or agencies and to set the amount of compensation payable to victims.

The maximum indemnity payable by the Committee for each brokerage transaction concerned by a claim is $35,000 for acts committed as of May 1, 2010, and $15,000 for acts committed before that date.

## Members of the Committee

The Indemnity Committee is comprised of a minimum of three and a maximum of nine members, including a Chair, appointed for a three-year term by the OACIQ Board of Directors, which also appoints one or more Vice-Chairs.

The Committee is currently comprised of four real estate brokers and three members of the public.

Of note is the appointment by the Board of Directors, on September 12, 2014, of Me Nada Najm as Chair of the Indemnity Committee to replace Gratien Dubé, as well as of Anne Beaumier and Julie Villeneuve as members of the Committee. In addition, on October 10, 2014, Jean-Robert Benoît was appointed Vice-Chair of the Indemnity Committee.

The year was also marked by the resignation, on January 8, 2014, of Maryse Bourgeault as member of the Committee.

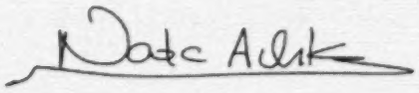
Both Mr. Dubé and Ms. Bourgeault had been appointed to the Board of Directors of FICI and still sat on this board at the time of their transition to the Indemnity Committee, when the new *Real Estate Brokerage Act* came into force in 2010. We thank them both for their contribution to the Committee's activities.

## Activities of the Committee

As at January 1, 2014, 62 cases were under review.

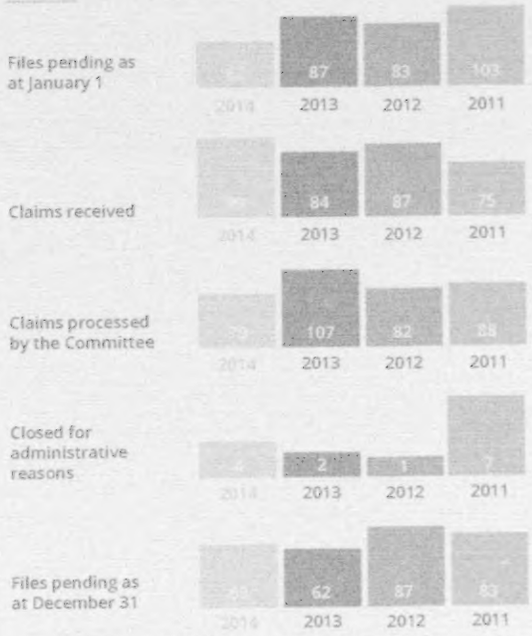
The Indemnity Committee met 10 times in 2014, processing and rendering decisions on 79 claims. The Committee approved five of these claims, for which a total of $114,242.78 was paid in compensation, and rejected 74. Another four files were closed for administrative reasons. During the period, 78 new files were opened and 12 were reopened following a request for review.

As at December 31, 2014, 69 files were under review.

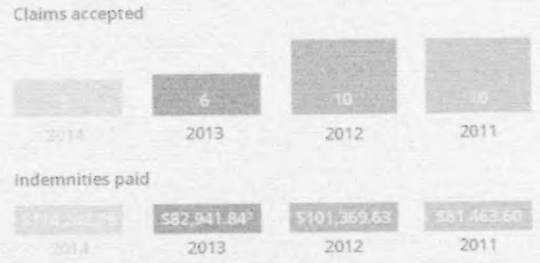


**Me Nada Najm**
Chair of the Indemnity Committee

### FILES




### INDEMNITIES




[1] *This figure includes new files and files reopened following an application for review.*

[2] *Since 2013, this table includes indemnities to be paid in the course of the year, even if a portion of these indemnities will in fact be paid in the following year.*

## MEMBERS OF THE INDEMNITY COMMITTEE

### Chairs

**Me Nada Najm** (since September 12, 2014))

**M. Gratien Dubé** (up to September 12, 2014)
Chartered Real Estate Broker / AEO

### Vice-Chair

**Jean-Robert Benoit**
Chartered Real Estate Broker / AEO

### Members

**Anne Beaumier**
Chartered Real Estate Broker / AE

**Normand Déry**
Real Estate Broker

**Aline Duplessis**

**Marcel Le Houillier**

**Julie Villeneuve**
Chartered Real Estate Broker / AEO

# REPORT FROM THE TREASURER

**DANIEL PELCHAT**
Chair of the Audit and Finance Committee

*For the general operating fund, the year 2014 ended with a surplus of $661,813.*

## Revenues

Despite marked variations in the various revenue categories, revenues remained relatively stable overall with an increase of 4%. Total revenues stand at $21,961,229 for 2014 compared to $21,118,339 in 2013.

Fees and memberships, which represent 75% of the Organization's revenues, decreased by 2.4%. This indicates a slight drop in real estate brokerage activities in Québec. Revenues from the sale of supplies and services are also slightly down.

As for revenues from continuing education activities, they practically doubled this year. This increase is due to the fact that the mandatory education activity on Collaboration planned for 2013 was postponed, so that most of the revenue from this activity was received in 2014.

A 29% drop was noted in basic training and examination revenues. This results from a decrease in the number of examination registrants, which went from 2,263 in 2013 to 1,453 in 2014, and a reduction by half of the number of residential brokerage examination sessions.

## Expenses

Overall expenses went down by 6%, going from $22,659,385 in 2013 to $21,299,416 in 2014. These results are due to the Organization's general cost reduction and efficiency objective.

Because the **OACIQ** is a service organization, payroll is its main expense. New hires in 2014 account for expenses of about $1,900,000, while savings related to the restructuring of some departments represent $2,500,000. There was also a 3% increase in total salaries. One of the main reasons for the payroll decrease is the general restructuring of the work environment of the Organization.

Continuing education saw a marked decrease in expenses, because in 2013 a lot of resources were invested in planning and organizing education sessions such as *Collaboration* and *Agency executive officer: more than a director*.

A reduction in advertising expenses was achieved thanks to the partnership between the **OACIQ**, the QFREB and its member boards to produce two joint province-wide advertising campaigns.

Occupancy expenses represent a considerable cost for the Organization. There were no changes in leased area or base rent in 2014. However, there was a decrease in operating expenses (22%) and property taxes (4%).

The number of meetings of the Board of Directors and the various committees went from 66 in 2013 to 58 in 2014, resulting in a decrease in related expenses.

## Indemnity Fund

The Indemnity Fund generated a surplus of $592,850 in 2014, compared to $378,762 in 2013. The number of files processed was lower than the previous year, i.e., 79 in 2014 compared to 107 in 2013, and the maximum compensation amount remained the same at $35,000 per claim.

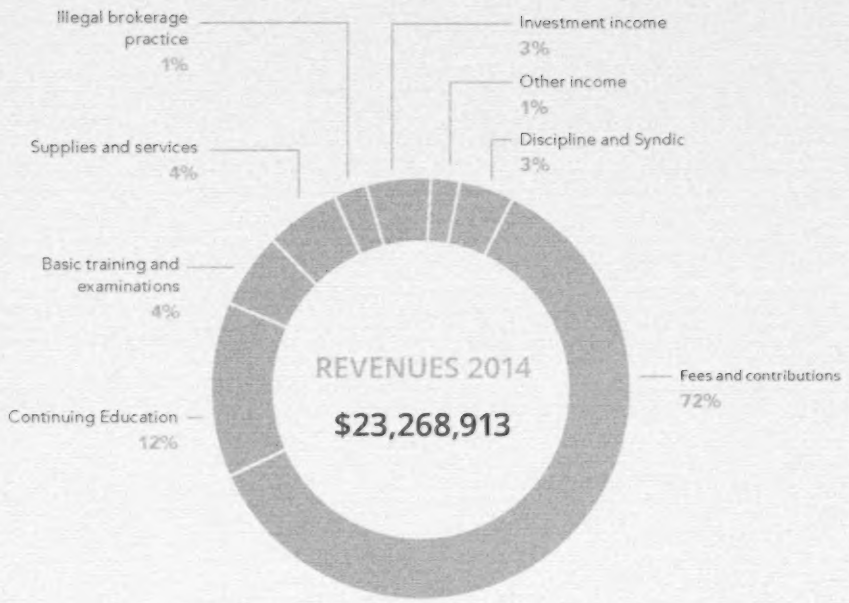
## Surplus

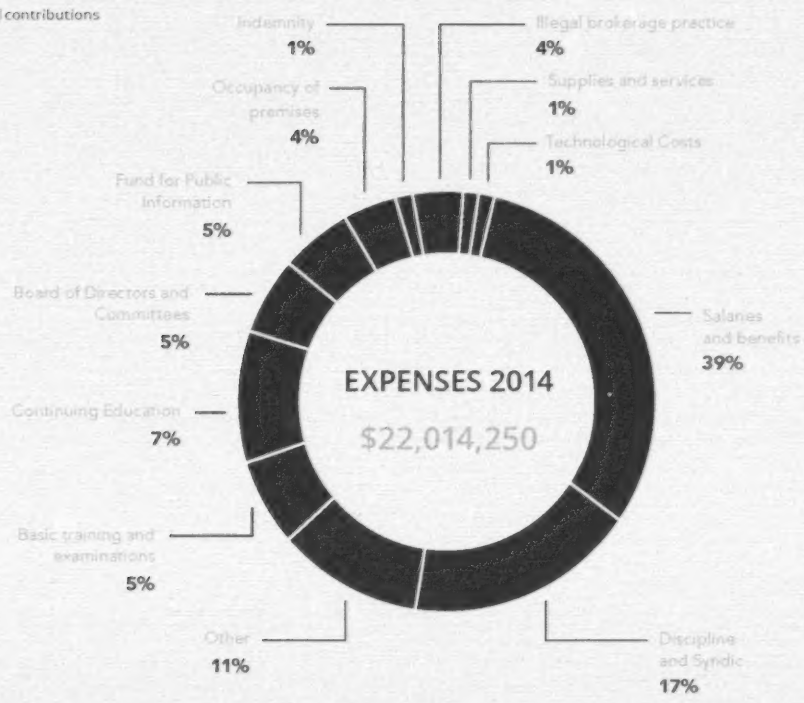
For 2014, the General Operating Fund and the Indemnity Fund showed a combined surplus of $1,254,663, compared with a loss of $1,162,284 in 2013, increasing the accumulated surplus from $8,723,692 to $9,978,355. It is important to note that the Indemnity Fund's surplus, which now stands at $4,690,806, can only be used for Fund activities. The accumulated surplus in the General Operating Fund now totals $5,287,549. Of this amount, $2,248,337 has already been invested in capital expenditures and is therefore not available for **OACIQ** activities.

## Projection

The highlight in 2015 will be the implementation of the *Mandatory continuing education program* for all brokers, which will come into force on May 1, 2015 for a period of two years.

**Daniel Pelchat**
Chair of the Audit and Finance Committee




## MEMBERS OF THE AUDIT AND FINANCE COMMITTEE

The following persons were members of this committee as at December 31, 2014:

### Chair

Daniel Pelchat

### Members

Serge Brousseau
Richard Dion
Pierre Carrier
Nathalie Ebnoether
Georges E. Gaucher
Robert Nadeau

BALANCE

# INDEPENDENT AUDITOR'S REPORT

Deloitte.

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Suite 200
Brossard QC J4Z 3T5
Tel: 450 618-4270 • Fax: 450 618-6420
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**TO THE LICENSE HOLDERS OF THE ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC**

We have audited the financial statements of the Organisme d'autoréglementation du courtage immobilier du Québec (OACIQ), which comprise the statement of financial position as at December 31, 2014, the statements of income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

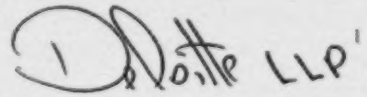
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the OACIQ as at December 31, 2014, and the results of its activities and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.



March 19, 2015

[1] CPA auditor, CA, public accountancy permit No. A108263

# ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

## Statement of income · Year ended December 31, 2014

| | General Operating Fund | Indemnity Fund | TOTAL 2014 | General Operating Fund | Indemnity Fund | TOTAL 2013 |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| REVENUE | | | | | | |
| Fees and memberships | 15,936,675 | 961,231 | 16,897,906 | 16,334,222 | 985,138 | 17,319,360 |
| Continuing education - Appendix | 2,740,923 | - | 2,740,923 | 1,395,222 | - | 1,395,222 |
| Basic training and examination - Appendix | 911,643 | - | 911,643 | 1,276,273 | - | 1,276,273 |
| Discipline and syndic - Appendix | 582,437 | - | 582,437 | 322,735 | - | 322,735 |
| Supplies and services - Appendix | 948,843 | - | 948,843 | 1,241,064 | - | 1,241,064 |
| Illegal brokerage practices - Appendix | 164,286 | - | 164,286 | 5,492 | - | 5,492 |
| Investment income (Note 14) | 110,604 | 285,909 | 396,513 | 100,466 | 18,218 | 118,684 |
| Interest on income held in trust accounts (Note 11) | 10,617 | - | 10,617 | 16,488 | - | 16,488 |
| Other income for Financing Fund for public information (Note 11) | - | - | - | 994 | - | 994 |
| Limited partnership, net income share (Note 6) | 284,793 | - | 284,793 | 162,978 | - | 162,978 |
| Other | 270,408 | 60,544 | 330,952 | 262,405 | 46,120 | 308,525 |
| | 21,961,229 | 1,307,684 | 23,268,913 | 21,118,339 | 1,049,476 | 22,167,815 |

# ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

## Statement of income · Year ended December 31, 2014 (continued)

| | General Operating Fund | Indemnity Fund | TOTAL 2014 | General Operating Fund | Indemnity Fund | TOTAL 2013 |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| EXPENSES | | | | | | |
| Administration | | | | | | |
| Salaries and employee benefits | 8,233,719 | 358,547 | 8,592,266 | 7,919,463 | 385,617 | 8,305,080 |
| Professional fees | 169,527 | 62,667 | 232,194 | 356,949 | 117,858 | 474,807 |
| Board of Directors and committees | 970,362 | 34,957 | 1,005,319 | 1,019,339 | 34,506 | 1,053,845 |
| Meetings and travel | 645,153 | - | 645,153 | 697,947 | - | 697,947 |
| Office expenses | 407,337 | 15,787 | 423,124 | 465,213 | 6,408 | 471,621 |
| Advertizing | - | - | - | - | 167,829 | 167,829 |
| Occupancy expenses | 921,818 | 17,266 | 939,084 | 1,007,103 | 13,430 | 1,020,533 |
| Contribution to the Ministère des Finances du Québec | 213,930 | - | 213,930 | 115,785 | - | 115,785 |
| Publications and public relations | 106,260 | - | 106,260 | 69,484 | - | 69,484 |
| Technological costs | 270,443 | - | 270,443 | 241,169 | - | 241,169 |
| Transaction costs | 418,240 | 34,918 | 453,158 | 356,401 | 16,141 | 372,542 |
| Elections | 35,242 | - | 35,242 | 30,827 | - | 30,827 |
| Indemnities | - | 190,692 | 190,692 | - | (71,075) | (71,075) |
| Amortization of capital assets (Note 8) | 323,447 | - | 323,447 | 437,479 | - | 437,479 |
| Continuing education - Appendix | 1,438,466 | - | 1,438,466 | 1,767,360 | - | 1,767,360 |
| Basic training and examination - Appendix | 1,095,446 | - | 1,095,446 | 1,795,852 | - | 1,795,852 |
| Discipline and syndic - Appendix | 3,779,032 | - | 3,779,032 | 3,631,607 | - | 3,631,607 |
| Supplies and services - Appendix | 274,015 | - | 274,015 | 432,844 | - | 432,844 |
| Illegal brokerage practices - Appendix | 810,129 | - | 810,129 | 607,987 | - | 607,987 |
| Fund for public information (Note 11) | 1,186,850 | - | 1,186,850 | 1,706,576 | - | 1,706,576 |
| | 21,299,416 | 714,834 | 22,014,250 | 22,659,385 | 670,714 | 23,330,099 |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES | 661,813 | 592,850 | 1,254,663 | (1,541,046) | 378,762 | (1,162,284) |

# ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

## Statement of changes in net assets · Year ended December 31, 2014

| | General Operating Fund | | | | |
|---|---|---|---|---|---|
| | Invested in capital assets | Internally restricted | Unrestricted | Indemnity Fund | TOTAL |
| | $ | $ | $ | $ | $ |
| Balance as at December 31, 2012 | 2,798,149 | - | 3,368,633 | 3,719,194 | 9,885,976 |
| (Deficiency) excess of revenue over expenses | (653,067)* | (1,689,094) | 801,115 | 378,762 | (1,162,284) |
| Investment in capital assets | 448,845 | - | (448,845) | - | - |
| Internally restricted (Note 11) | - | 1,689,094 | (1,689,094) | - | - |
| Balance as at December 31, 2013 | 2,593,927 | - | 2,031,809 | 4,097,956 | 8,723,692 |
| Excess (deficiency) of revenue over expenses | **(532,709)*** | **(1,176,233)** | **2,370,755** | **592,850** | **1,254,663** |
| Investment in capital assets | **187,119** | **-** | **(187,119)** | **-** | **-** |
| Internally restricted (Note 11) | **-** | **1,176,233** | **(1,176,233)** | **-** | **-** |
| BALANCE AS AT DECEMBER 31, 2014 | **2,248,337** | **-** | **3,039,212** | **4,690,806** | **9,978,355** |

* Represents the amortization of capital assets of $735,547 ($848,978 in 2013), net of the lease inducement amortization of $204,087 ($202,538 in 2013) for leasehold improvements, plus loss on write off and on disposal of capital assets of $1,249 ($6,627 in 2013).

# ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

## Statement of financial position · As at December 31, 2014

| | General Operating Fund | Indemnity Fund | TOTAL 2014 | General Operating Fund | Indemnity Fund | TOTAL 2013 |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| ASSETS | | | | | | |
| **Current assets** | | | | | | |
| Cash | 2,254,423 | 136,021 | 2,390,444 | 1,172,283 | 192,565 | 1,364,848 |
| Investments (Note 3) | 3,235,835 | 5,370,405 | 8,606,240 | 3,620,375 | 4,723,273 | 8,343,648 |
| Accrued interest receivable | 5,026 | 11,485 | 16,511 | 11,992 | 11,162 | 23,154 |
| Accounts receivable (Note 4) | 477,662 | - | 477,662 | 230,913 | - | 230,913 |
| Advance to the Indemnity Fund (Note 5) | 18,441* | - | - | 138,081* | - | - |
| Supplies inventory (Note 7) | 237,816 | - | 237,816 | 247,768 | - | 247,768 |
| Prepaid expenses | 216,920 | - | 216,920 | 415,416 | - | 415,416 |
| | 6,446,123 | 5,517,911 | 11,945,593 | 5,836,828 | 4,927,000 | 10,625,747 |
| Interest in a limited partnership (Note 6) | 3,943,672 | - | 3,943,672 | 3,808,879 | - | 3,808,879 |
| Capital assets (Note 8) | 5,411,685 | - | 5,411,685 | 5,961,362 | - | 5,961,362 |
| | 15,801,480 | 5,517,911 | 21,300,950 | 15,607,069 | 4,927,000 | 20,395,988 |
| LIABILITIES | | | | | | |
| **Current liabilities** | | | | | | |
| Accounts payable and accrued liabilities (Note 9) | 2,321,820 | 51,835 | 2,373,655 | 2,451,463 | 5,000 | 2,456,463 |
| Advance from the General Operating Fund (Note 5) | - | 18,441* | - | - | 138,081* | - |
| Provision for claims (Note 10) | - | 437,421 | 437,421 | - | 360,972 | 360,972 |
| Deferred revenue | 5,028,763 | 319,408 | 5,348,171 | 5,162,435 | 324,991 | 5,487,426 |
| | 7,350,583 | 827,105 | 8,159,247 | 7,613,898 | 829,044 | 8,304,861 |
| Deferred lease inducement, at net book value | 3,163,348 | - | 3,163,348 | 3,367,435 | - | 3,367,435 |
| | 10,513,931 | 827,105 | 11,322,595 | 10,981,333 | 829,044 | 11,672,296 |
| Commitments and contingencies (Notes 12 and 13) | | | | | | |
| **Net assets** | | | | | | |
| Invested in capital assets | 2,248,337 | - | 2,248,337 | 2,593,927 | - | 2,593,927 |
| Unrestricted | 3,039,212 | - | 3,039,212 | 2,031,809 | - | 2,031,809 |
| Indemnity Fund | - | 4,690,806 | 4,690,806 | - | 4,097,956 | 4,097,956 |
| | 5,287,549 | 4,690,806 | 9,978,355 | 4,625,736 | 4,097,956 | 8,723,692 |
| | 15,801,480 | 5,517,911 | 21,300,950 | 15,607,069 | 4,927,000 | 20,395,988 |

* These amounts are not included in the "Total" column as they cancel each other out.

Approved by the Board

**Serge Brousseau**
Chairman of the Board of Directors

**Daniel Pelchat**
Treasurer

# ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

## Statement of cash flows · Year ended December 31, 2014

| | General Operating Fund | Indemnity Fund | TOTAL 2014 | General Operating Fund | Indemnity Fund | TOTAL 2013 |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Operating activities** | | | | | | |
| Excess (deficiency) of revenue over expenses | **661,813** | **592,850** | **1,254,663** | (1,541,046) | 378,762 | (1,162,284) |
| Items not affecting cash: | | | | | | |
| Realized and unrealized loss (gain) on investments | **41,139** | **(204,603)** | **(163,464)** | 38,663 | 49,701 | 88,364 |
| Limited partnership net income share | **(284,793)** | **-** | **(284,793)** | (162,978) | - | (162,978) |
| Amortization of capital assets | **735,547** | **-** | **735,547** | 848,978 | - | 848,978 |
| Amortization of lease inducements | **(204,087)** | **-** | **(204,087)** | (202,538) | - | (202,538) |
| Loss on write-off and on disposal of capital assets | **1,249** | **-** | **1,249** | 6,627 | - | 6,627 |
| | **950,868** | **388,247** | **1,339,115** | (1,012,294) | 428,463 | (583,831) |
| Change in non-cash operating working capital items | **(175,010)** | **(2,262)** | **(177,272)** | 984,111 | (185,469) | 798,642 |
| | **775,858** | **385,985** | **1,161,843** | (28,183) | 242,994 | 214,811 |
| **Investing activities** | | | | | | |
| Repayment of the advance in capital in the limited partnership | **150,000** | **-** | **150,000** | 250,000 | - | 250,000 |
| Acquisition of investments | **(29,735,622)** | **(3,457,528)** | **(33,193,150)** | (36,509,766) | (5,121,621) | (41,631,387) |
| Proceeds on sale of investments | **30,079,023** | **3,014,999** | **33,094,022** | 37,369,112 | 4,862,748 | 42,231,860 |
| Acquisition of capital assets | **(187,119)** | **-** | **(187,119)** | (493,290) | - | (493,290) |
| Proceeds from the sale of capital assets | **-** | **-** | **-** | 3,605 | - | 3,605 |
| | **306,282** | **(442,529)** | **(136,247)** | 619,661 | (258,873) | 360,788 |
| **Financing activities** | | | | | | |
| Increase on rent inducement | **-** | **-** | **-** | 40,840 | - | 40,840 |
| Net increase (decrease) in cash | **1,082,140** | **(56,544)** | **1,025,596** | 632,318 | (15,879) | 616,439 |
| Cash, beginning of year | **1,172,283** | **192,565** | **1,364,848** | 539,965 | 208,444 | 748,409 |
| CASH, END OF YEAR | **2,254,423** | **136,021** | **2,390,444** | 1,172,283 | 192,565 | 1,364,848 |

# ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

## Notes to the financial statements · December 31, 2014

## 1. Description of the Organization

L'Organisme d'autoréglementation du courtage immobilier du Québec (the "OACIQ"), incorporated under the *Real Estate Brokerage Act* (R.S.Q., c. C-73.2) (the "Act"), has a primary role in protecting the public in real estate and mortgage brokerage dealings by enforcing rules of professional conduct and by inspecting the activities of brokers and agencies, mainly, by ensuring that the professional activities engaged in by brokers and agencies are in compliance with the Act.

It may also provide training courses for brokers and agency executive officers, with the exception of basic training courses, and award the titles referred to in Section 48 of the Act.

## 2. Accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following significant accounting policies:

### Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the OACIQ becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost except for investments, which are recognized at fair value at the balance sheet date. The fair value of investments is based on quoted bid prices. Fair value fluctuations, interest earned, accrued interest, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

Transaction costs related to other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in net earnings as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the OACIQ recognizes in net earnings an impairment loss, if any, when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to net earnings in the period the reversal occurs.

### Fund accounting

The General Operating Fund is used for all current operations of the OACIQ. Revenue and expenses related to services and administration are presented in the General Operating Fund.

The Financing Fund for public information is included in the General Operating Fund. The detailed information for this Fund is presented in Note 11.

## 2. Accounting policies (continued)

### Fund accounting (continued)

The Real Estate Indemnity Fund is dedicated to the payment of indemnities to victims of fraud, fraudulent tactics or misappropriation of funds for which a broker or agency is responsible. This fund is established in accordance with Section 108 of the Act. The assets of this Fund are not part of the OACIQ's assets and may not be used to fulfill the OACIQ's obligations.

### Revenue recognition

The OACIQ follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

### Supplies inventory

The supplies inventory is valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis. Net realizable value is the estimated selling price in the regular course of business less the estimated costs necessary to make the sale.

### Capital assets

Capital assets are recorded at cost and are amortized based on their estimated useful life using the straight-line method over the following terms:

| | |
|---|---|
| Computer equipment | 1 and 3 years |
| Office equipment | 4 years |
| Telephone equipment | 7 years |
| Furniture | 10 and 20 years |
| Leasehold improvements | Term of the lease |

### Impairment of long-lived assets

Long-lived assets such as capital assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from the use and eventual disposition of the item. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value at the date of impairment.

### Controlled entity

The OACIQ holds the right to appoint all members of the board of Professional Liability Insurance Fund (FARCIQ). The FARCIQ, considered a separate non-profit entity for accounting purposes, has the mission to provide professional responsibility of real estate brokers of Quebec and the end date of its fiscal year is December 31. The FARCIQ is considered a non-profit organization for tax purposes. Since the benefits and advantages of the FARCIQ are reserved for members participating in the FARCIQ, they are not included in the financial statements of the OACIQ but are briefly presented in Note 15.

### Investment in a limited partnership

The OACIQ holds an interest of 50% in a limited partnership that owns the building that OACIQ uses for its activities.

The OACIQ has decided to account for its investment in the limited partnership using the equity method adjusted for depreciation of the rental property calculated using the straight-line method over a period of 40 years.

## 2. Accounting policies (continued)

### Investment in a limited partnership (continued)

Under the equity method, the OACIQ initially records the investment at cost and then adjusts the carrying value by including the limited partnership's pro rata share of post-acquisition income computed by the consolidation method. The OACIQ includes the share of income in determining its net income and increases or decreases the balance of its "Investment" account. Profit distributions received from an investee reduce the carrying value of the investment. The share in balance sheet items is not recognized by the OACIQ in the statement of financial position, but is disclosed in Note 6 "Investment in a limited partnership".

The OACIQ recognizes an impairment loss, if any, in net income when it determines that a significant adverse change has occurred during the period in the expected timing or amount of the investee's future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net income in the period the reversal occurs.

### Deferred revenue

Revenue from annual fees from license holders is charged to the statements of income on a monthly basis over the duration of the broker licences, which is 12 months. In accordance with Section 22 of the *Regulation respecting the issue of broker's and agency licences*, they are not refundable to licence holders and they will be applicable on the income of the next year-end.

### Deferred lease inducement

The deferred lease inducement represents the amounts collected from the landlord as lease inducements made up of an allowance for leasehold improvements and free rent. This income is amortized on a straight-line basis over the original term of the lease, which expires in June 2030, i.e., 20 years. Amortization is applied against occupancy expenses in the statements of income.

### Income taxes and other taxes

As a not-for-profit organization for income tax purposes, the OACIQ is not subject to income taxes.

### Disclosure of allocated expenses

A unique coding system is used for each of the OACIQ's services and activities. The OACIQ's general support expenses and overhead are allocated as follows:

Proportionately on the basis of hours allocated to the activity by human resources:

- Salaries and employee benefits
- Training, conferences and seminars
- Board of Directors and committees
- Meetings
- Elections
- Technological costs

Proportionately on the basis of expense type:

- Insurance
- Membership fees
- Legal and miscellaneous fees
- Communication expenses

Proportionately on the basis of the delivery purpose:

- Printing for external use
- Delivery

Proportionately on the basis of user services:

- Data bank
- Stationery and supplies
- Writing and translation
- Cellular telephony

## 2. Accounting policies (continued)

### Disclosure of allocated expenses (continued)

**Proportionately on the basis of number of employees in the department:**

- Amortization of capital assets
- Insurance
- Maintenance equipment
- Stationery
- Computer supplies
- Telephone
- Photocopy

Proportionately on the basis of square footage occupied by the department:

- Normal rent
- Operating costs
- Property tax
- Maintenance of premises
- Amortization of leasehold improvements
- Rent allocation.

The amounts charged to the various activities are presented in the statement of income, the Appendix and Note 11 of the financial statements.

### Use of estimates

The preparation of financial statements in conformity with the Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Key components of the financial statements requiring management to make estimates include the allowance for doubtful accounts, the estimated useful life of capital assets, the provision for claims and accrued liabilities. Actual results could differ from these estimates.

## 3. Investments

General Operating Fund investments consist of bonds, which earn interest from 4.50% to 5.00% (1.60% to 5.20% in 2013), and mature between February 2015 and December 2018.

Indemnity Fund investments consist of bonds, which earn interest from 1.90% to 5.00% (2.00% to 5.20% in 2013), and mature between February 2015 and January 2023.

Investments are short-term because they are redeemable at any time.

## 4. Accounts receivable

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| **General Operating Fund** | | |
| Trade | **751,947** | 414,851 |
| Allowance for doubtful accounts | **(361,275)** | (228,247) |
| | **390,672** | 186,604 |
| Sales taxes | **86,990** | 44,309 |
| | **477,662** | 230,913 |

## 5. Interfund advance

The advance from the General Operating Fund to the Indemnity Fund represents a refund of expenses paid by the General Operating Fund for the Indemnity Fund activities. Interfund advance is non-interest-bearing.

## 6. Investment in a limited partnership

The OACIQ's share in the limited partnership's net assets as at December 31, 2014:

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| Balance sheet | | |
| Assets | | |
| Rental property, at cost | 10,478,366 | 10,478,366 |
| Other assets | 1,926,566 | 1,405,351 |
| | 12,404,932 | 11,883,717 |
| Liabilities | | |
| Bank loans | 9,457,121 | 9,697,528 |
| Other liabilities | 483,822 | 158,344 |
| | 9,940,943 | 9,855,872 |
| Net equity | 2,463,989 | 2,027,845 |
| | 12,404,932 | 11,883,717 |

The OACIQ's share in the limited partnership's net income for the period from January 1 to December 31, 2014 is as follows::

| | | |
|---|---|---|
| Statement of income | | |
| Revenue | 1,671,152 | 1,533,207 |
| Expenses | 1,085,008 | 1,048,476 |
| Income before amortization | 586,144 | 484,731 |
| Amortization | (301,351) | (321,753) |
| Share in net income of the limited partnership | 284,793 | 162,978 |

The OACIQ's share in the limited partnership's cash flows for the period from January 1 to December 31, 2014 is as follows:

| | | |
|---|---|---|
| Cash flows | | |
| Operating activities | 949,839 | 593,523 |
| Investing activities | (420,349) | (46,903) |
| Financing activities | (408,945) | (498,392) |
| | 120,545 | 48,228 |

The financial statements of the limited partnership are prepared in accordance with Canadian accounting standards for private enterprises. There are no material differences resulting from the application of different accounting standards between the limited partnership and the OACIQ, except for the fact that the limited partnership did not recognize any amortization expense.

There were no transactions between these two parties except for the payment of the $1,738,439 lease and related costs in 2014 ($1,848,636 in 2013) and an amount of $522 is included in the accounts payable ($10,689 was included in accounts payable in 2013). Related party transactions occurred in the normal course of operations and were measured at the exchange amount.

The total value of the interest in a limited partnership as at December 31, 2014, is as follows:

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| Initial investment | 3,808,879 | 3,895,901 |
| Repayment of capital | (150,000) | (250,000) |
| Share in net income after amortization | 284,793 | 162,978 |
| | 3,943,672 | 3,808,879 |

## 7. Supplies inventory

The cost of supplies inventory sold, which is recognized as an expense during the year, amounts to $219,737 ($274,973 in 2013).

## 8. Capital assets

| | 2014 | | | 2013 |
|---|---|---|---|---|
| | Cost | Accumulated amortization | Net book value | Net book value |
| | $ | $ | $ | $ |
| **General Operating Fund** | | | | |
| Computer equipment | 1,691,555 | 1,402,519 | 289,036 | 364,662 |
| Office equipment | 538,338 | 503,245 | 35,093 | 87,292 |
| Telephone equipment | 326,682 | 183,653 | 143,029 | 189,446 |
| Furniture | 2,011,257 | 703,115 | 1,308,142 | 1,465,047 |
| Leasehold improvements | 4,644,106 | 1,007,721 | 3,636,385 | 3,854,915 |
| | 9,211,938 | 3,800,253 | 5,411,685 | 5,961,362 |

Amortization of capital assets for the year ended December 31, 2014 amounts to $735,547 ($848,978 in 2013), of which $323,447 ($437,479 in 2013) is distinctly presented in the statements of income of the General Operating Fund. The remaining balance is allocated to the cost centers of the General Operating Fund.

## 9. Accounts payable and accrued liabilities

| | 2014 | | |
|---|---|---|---|
| | General Operating Fund | Indemnity Fund | Total |
| | $ | $ | $ |
| Accounts payable | 228,714 | - | 228,714 |
| Accrued liabilities | 198,796 | 51,835 | 250,631 |
| Salaries and vacations payable | 1,484,521 | - | 1,484,521 |
| Government remittances payable | 409,789 | - | 409,789 |
| | 2,321,820 | 51,835 | 2,373,655 |

| | 2013 | | |
|---|---|---|---|
| | General Operating Fund | Indemnity Fund | Total |
| | $ | $ | $ |
| Accounts payable | 456,861 | - | 456,861 |
| Accrued liabilities | 288,812 | 5,000 | 293,812 |
| Salaries and vacations payable | 1,375,073 | - | 1,375,073 |
| Government remittances payable | 330,717 | - | 330,717 |
| | 2,451,463 | 5,000 | 2,456,463 |

## 10. Provision for claims

Upon receipt of a claim duly sworn, the Indemnity Fund's policy is to recognize a provision of 25% of the amount claimed. Since May 1, 2010, the maximum compensation payable from the Fund is $35,000, whereas before, the amount was $15,000. This provision is maintained until the final decision of the Indemnity Committee.

## 11. Financing Fund for public information

The Financing Fund of the Organisme d'autoréglementation du courtage immobilier du Québec was established in accordance with the Law. The Fund is made up of interest earned on the money held in trust accounts by brokers under the Law. The Fund must be used in particular to produce and disseminate information on the public's rights in real estate brokerage and to promote the quality of services provided by brokers and agencies. The Fund is included in the General Operating Fund.

Interest income paid to the Fund and Fund-related expenses, which are included in the revenue and expenses of the OACIQ's General Operating Fund, are as follows:

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| **Net loss on interest held in trust accounts by license holders** | | |
| Interest on income held in trust accounts | **10,617** | 16,488 |
| Sponsorship for the fund for public information | **-** | 994 |
| | **10,617** | 17,482 |
| Publicity | **1,013,670** | 1,424,944 |
| Salaries and employee benefits | **125,104** | 139,899 |
| Professional fees | **25,954** | 112,906 |
| Office expenses | **4,530** | 4,296 |
| Travel | **8,500** | 10,387 |
| Bank charges | **9,092** | 14,144 |
| | **1,186,850** | 1,706,576 |
| | **(1,176,233)** | (1,689,094) |
| Internally Restricted Fund | **1,176,233** | 1,689,094 |
| | **-** | - |

The OACIQ agreed to transfer from the Unrestricted General Operating Fund an amount of $1,176,233 ($1,689,094 in 2013) to the Internally Restricted Fund to cover the excess of expenses over revenue of the Financing Fund for public information.

## 12. Commitments

The OACIQ is committed for the rental of office spaces from the limited partnership owning the building in which the OACIQ operates its activities under a lease that expires in July 2030. In addition, the OACIQ contracted various commitments, particularly under the lease of car vehicles, expiring between January 2015 and November 2018. Minimum future rent payments aggregate $32,959,289 and include the following amounts over the next five years:

| | $ |
|---|---|
| 2015 | 1,924,388 |
| 2016 | 1,943,093 |
| 2017 | 1,906,693 |
| 2018 | 1,886,545 |
| 2019 | 1,840,894 |

## 13. Contingencies

In the normal course of business, the OACIQ is involved in various claims. Though the outcome of these various pending claims as at December 31, 2014 cannot be determined with certainty, the OACIQ believes that their outcome will have no significant adverse effect on its financial position, operating results or cash flows.

## 14. Investment income

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | **General Operating Fund** | **Indemnity Fund** | **TOTAL** | General Operating Fund | Indemnity Fund | TOTAL |
| | **$** | **$** | **$** | $ | $ | $ |
| Interest revenues | **151,743** | **81,306** | **233,049** | 139,129 | 67,919 | 207,048 |
| Realized gain (loss) on investments | **2,908** | **62,960** | **65,868** | (20,972) | (27,296) | (48,268) |
| Unrealized gain (loss) on investments | **(44,047)** | **141,643** | **97,596** | (17,691) | (22,405) | (40,096) |
| INVESTMENT INCOME | **110,604** | **285,909** | **396,513** | 100,466 | 18,218 | 118,684 |

## 15. OACIQ's Professional Liability Insurance Fund

The summary financial statements as at December 31, 2014 of the FARCIQ are as follows:

| | 2014 | 2013 |
|---|---|---|
| | **$** | $ |
| **Balance sheet** | | |
| Assets | **55,024,725** | 52,377,091 |
| Liabilities | **17,135,743** | 18,569,779 |
| Accumulated surplus | **37,888,982** | 33,807,312 |
| | **55,024,725** | 52,377,091 |
| **Statement of income** | | |
| Revenue | **7,898,465** | 8,668,524 |
| Expenses | **4,918,757** | 3,826,161 |
| Earnings for the year | **2,979,708** | 4,842,363 |
| Unrealized (loss) gain on available-for-sale securities | **1,112,022** | (927,102) |
| Portion reclassified to income from available-for-sale securities | **(10,060)** | (62,397) |
| Comprehensive income | **4,081,670** | 3,852,864 |
| **Cash flows** | | |
| Operating activities | **2,818,725** | 2,545,097 |
| Investing activities | **(2,162,570)** | (1,069,928) |

The financial statements of the FARCIQ are prepared in accordance with International Financial Reporting Standards (IFRS). With respect to the application of accounting policies, the main difference between the FARCIQ and the **OACIQ** concerns the measurement and disclosure of financial instruments. The FARCIQ complies with IFRS disclosure requirements while the **OACIQ** complies with Part III of the *CPA Canada Handbook - Accounting*.

During the year, the **OACIQ** incurred, with the FARCIQ, management fees and sponsorship totalling $57,346 ($227,355 in 2013), and occupancy expenses for an amount of $80,692 ($84,166 in 2013). These amounts are in addition to other costs totalling $30,072 ($38,225 in 2013). These transactions occurred in the normal course of operations and are measured at the exchange amount. As at December 31, 2014, an amount of $12,296 is included in accounts receivable ($15,929 in 2013) in connection with these transactions. Accounts payable and accrued liabilities include an amount payable of $7,620 ($11,555 in 2013) for the premiums collected by the **OACIQ** for the FARCIQ.

## 16. Financial instruments

### Credit risk

The OACIQ extends credit to licence holders in the normal course of business. Ongoing credit checks are conducted and the statement of financial position include an allowance for doubtful accounts.

In addition, credit risk arises because the OACIQ holds investments in bonds. Therefore, there is a risk that a bond issuer could fail to meet its obligations toward the OACIQ, which would affect the assets of the OACIQ.

### Interest rate risk

Investments bear interest at fixed rates. Consequently, a change in the market interest rate will have an impact on the fair value of the investments.

### Liquidity risk

The OACIQ's objective is to have sufficient liquidity to meet its liabilities when due. The OACIQ monitors its cash balances and cash flows generated from operations to meet its requirements. As at December 31, 2014, the most significant financial liabilities are accounts payable and accrued liabilities.

## 17. Comparative figures

Certain comparative figures have been reclassified to conform with the current years' presentation.

# APPENDIX

## Revenue and expenses · Year ended December 31, 2014

| | 2014 | 2013 |
|---|---|---|
| | **$** | $ |
| **CONTINUING EDUCATION** | | |
| **Revenue** | | |
| Continuing education activities | **2,740,923** | 1,395,222 |
| **Direct expenses** | | |
| Salaries and employee benefits | **845,033** | 960,512 |
| Professional fees | **304,982** | 331,633 |
| Occupancy expenses | **188,205** | 172,343 |
| Travel | **42,581** | 257,446 |
| Publications | **1,691** | 10,850 |
| Office expenses | **26,242** | 17,404 |
| Doubtful accounts (recovered) | **7,764** | (757) |
| Amortization of capital assets | **21,968** | 17,929 |
| | **1,438,466** | 1,767,360 |
| **Excess (deficiency) of revenue over expenses** | **1,302,457** | (372,138) |
| **Basic training and examination** | | |
| **Revenue** | | |
| Revenue related to examination and basic training | **911,643** | 1,276,273 |
| **Direct expenses** | | |
| Salaries and employee benefits | **855,691** | 1,264,115 |
| Professional fees | **7,657** | 241,350 |
| Occupancy expenses | **127,487** | 127,733 |
| Travel | **44,154** | 107,859 |
| Office expenses | **25,513** | 18,936 |
| Amortization of capital assets | **34,944** | 35,859 |
| | **1,095,446** | 1,795,852 |
| **Deficiency of revenue over expenses** | **(183,803)** | (519,579) |

# APPENDIX (CONTINUED)

## Revenue and expenses · Year ended December 31, 2014 (continued)

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| DISCIPLINE AND SYNDIC | | |
| **Revenue** | | |
| Fines and premiums received | **582,437** | 322,735 |
| **Direct expenses** | | |
| Discipline committee | **820,779** | 493,617 |
| Salaries and employee benefits | **1,832,727** | 2,004,280 |
| Trustee decision review committee | **128,524** | 94,382 |
| Doubtful accounts | **164,123** | 133,036 |
| Bailiff fees | **157,537** | 137,807 |
| Professional fees | **203,633** | 238,930 |
| Occupancy expenses | **266,346** | 312,590 |
| Office expenses | **80,262** | 70,939 |
| Public notices | **22,761** | 17,875 |
| Travel | **35,311** | 38,504 |
| Amortization of capital assets | **67,029** | 89,647 |
| | **3,779,032** | 3,631,607 |
| **Deficiency of revenue over expenses** | **(3,196,595)** | (3,308,872) |
| SUPPLIES AND SERVICES | | |
| **Revenue** | | |
| Sales of forms, manuals and other | **948,843** | 1,241,064 |
| **Direct expenses** | | |
| Cost of sales | **249,346** | 318,371 |
| Salaries and employee benefits | **25,090** | 114,299 |
| Other expenses | **-** | 400 |
| Doubtful accounts recovered | **(421)** | (226) |
| | **274,015** | 432,844 |
| **Excess of revenue over expenses** | **674,828** | 808,220 |

# APPENDIX (CONTINUED)

## Revenue and expenses · Year ended December 31, 2014 (continued)

| | 2014 | 2013 |
|---|---|---|
| | **$** | $ |
| ILLEGAL BROKERAGE PRACTICES | | |
| **Revenue** | | |
| Penalties received | **164,286** | 5,492 |
| **Direct expenses** | | |
| Salaries and employee benefits | **628,847** | 376,545 |
| Penal investigations | **19,785** | 39,588 |
| Legal fees | **75,619** | 132,331 |
| Occupancy expenses | **47,293** | 23,603 |
| General administration | **19,614** | 17,991 |
| Amortization of capital assets | **18,971** | 17,929 |
| | **810,129** | 607,987 |
| **Deficiency of revenue over expenses** | **(645,843)** | (602,495) |

PROTECTION

# ANNUAL REPORT

2014

FARCIQ

Fonds d'assurance responsabilité professionnelle
du courtage immobilier du Québec

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FARCiQ

# OUR MISSION

***Protect our policyholders' assets through professional liability insurance.***

*Membership in the **Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec** is mandatory. All real estate and mortgage brokerage agencies and brokers who are duly licensed by the **OACIQ** are covered by professional liability insurance for faults, errors, negligence or omissions committed in the course of their professional activities.*

From left to right:
Christine Lamieux, Bernard Daschamps, Martin Dupras, Michel Leonard, Louis-Georges Pelletier, Brigitte Corbeil, Xavier Leost, Marc Simard and Christiane St-Jean
Absent from photo: Albert Arduini

# FARCIQ DIRECTORS

as at December 31, 2014[1]

## Chairman of the Board of Directors

**M[e] Michel Léonard**
Lawyer and Chartered Real Estate Broker
President of BTB Real Estate Investment Trust

Chair of the Governance Committee,
Member of the Audit Committee, the Ethics Committee, the Prevention and claims Committee and the Investments Committee

## Vice-Chair of the Board of Directors and Treasurer

**Mr. Martin Dupras, A.S.A., F.Pl., D. Tax.**
President of ConFor financiers inc.

Chair of the Audit Committee,
Member of the Governance Committee and the Investments Committee

## Directors

**Mr. Albert Arduini, T.P., CIP**
Manager, Building Inspection and Expertise Risk Management Services Inc.

Chair of the Investments Committee,
Member of the Governance Committee and the Prevention and Claims Committee

**Mr. Bernard Deschamps, MPA, CPA, CMA**
Chief Executive Officer, Groupe Ultima

Member of the Audit Committee

**Mr. Xavier Lecat**
Real Estate Broker, L'Expert Immobilier PM Enr.

Member of the Audit Committee and the Investments Committee

**Mrs. Christine Lemieux, B.B.A., AMP**
Chartered Real Estate Mortgage Broker and Agency Executive Officer
President of Dominion-Phénix Lending Centres

Member of the Prevention and Claims Committee

**Mr. Louis-Georges Pelletier, AIAC**
General Insurance Broker

Chair of the Prevention and Claims Committee,
Member of the Governance Committee and the Investments Committee

**M[e] Marc Simard**
Partner, Bélanger Sauvé

Chair of the Ethics Committee,
Member of the Governance Committee

**Mrs. Christiane St-Jean**
Chartered Real Estate Broker and Agency Executive Officer
President of RE/MAX ACCÈS Inc.

Member of the Ethics Committee

[1] M[e] Yves Cousineau was also a director for a part of 2014

# MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

**Me MICHEL LÉONARD**
Chairman of the Board of Directors

We are pleased to provide you with the financial results of the Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec (FARCIQ) for the year ending December 31, 2014. During the financial year, the Fund saw the number of policyholders drop from 17,998 to 16,845, which combined with a reduction in the insurance premium amount, caused a small drop in revenues. The number of claims received by the Fund during the same period increased, from 511 in 2013 to 583 in 2014.

"ALWAYS ATTENTIVE TO ITS POLICYHOLDERS' NEEDS."

The year 2014 was also marked by the closing of the last claim held over from the 2006-2007 policy year, the first year the Fund operated. During the last year, the Fund closed 625 files. Insurance coverage remained the same, i.e., $1 million per claim and $2 million per insurance period. On May 1, 2014, the Fund reduced the insurance premium, from $420 to $395.

The 2014 financial year ended with operating earnings of $2,979,708, which brings the accumulated surplus of the Fund to $37,380,440. The Fund's solvency level is above the target of 375% and meets the criteria established by the Autorité des marchés financier and by our actuary. This confirms the excellent financial health of the Fund.

## Decrease and adjustment of the insurance premium

Thanks to the accumulated surplus of the Fund, sound claims management and the efforts made by its directors and managers, the insurance premium for real estate brokers and agencies holding a valid licence from the OACIQ, will drop on May 1, 2015 from $395 to $345. This is the fourth consecutive decrease of the premium.

Another innovation for next year: Based on our experience with regard to claims and in response to the requests of some policyholders made at the 2014 OACIQ Annual General Meeting, the premium for mortgage brokers with restricted practice will be adjusted as of May 1, 2015 with the amount dropping from $395 to $245.

## Enhancement of the insurance policy coverage

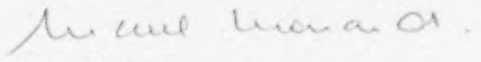
Always attentive to its policyholders' needs, the FARCIQ, in consultation with the OACIQ Board of Directors, has revised the liability insurance policy. This revision has led to improved coverage regarding mould, pollutants, and anti-pollution measures claims. Details about certain elements have also been added. One of the amendments now provides that policyholders can benefit from sub-limit coverage of $25,000 per claim, up to $100,000 per insurance period for claims eligible for this.

On the administrative level, Me Yves Cousineau chose not to seek another mandate on the Board of Directors. I would like to thank him for his contribution to the different projects completed during the last three years as Board member and President of the Ethics Committee. I would also like to underline the arrival of Me Marc Simard, who replaced Me Cousineau as of last September and who has already proved to be a great addition to the Board of Directors and the Fund's Ethics Committee.

"FOURTH CONSECUTIVE DECREASE OF THE PREMIUM"

In closing, I would like to thank the members of the Fund's Board of Directors, as well as the General Manager and her entire team for their ongoing contribution and availability.

Chairman of the Board of Directors,



**Me Michel Léonard**

# MANAGEMENT REPORT – MESSAGE FROM THE GENERAL MANAGER

**BRIGITTE CORBEIL,** MBA, ASC
General Manager

In 2014, FARCIQ's general management established several administrative objectives, leading to a series of analyses and revisions.

## Review of the insurance policy

The first objective was established in response to the concerns that brokers raised during various meetings regarding changes to the insurance policy. The result of the analyses made included the clarification of certain exclusion terms that were more implicit, and the addition of a coverage related to risks of pollution and mould to the guarantee. Since 2008, certain terms of the coverage have been offering a guarantee which was limited to lawyer and expert fees. Good news: as of May 1, 2015, claims under this coverage will be accepted up to an amount of $25,000 with no limits for lawyer and expert fees.

In addition to this very good news for policyholders, premium has been adjusted according to field of practice. At the **OACIQ** AGM 2014, policyholders asked that the insurance premium be adjusted in light of various criteria. While not all proposed criteria produced convincing results, the frequency and level of gravity of mortgage broker claims being lower allow us to reduce their premium. Consequently, the premium has been reduced, from $395 to $345 for real estate and mortgage agencies and real estate brokers, and from $395 to $245 for mortgage brokers.

"COLLECTIVE EFFORT MUST FOCUS ON PREVENTION"

## Organizational policies

Another important achievement in 2014 was the establishment of a framework to monitor the various policies related to AMF guidelines. At the same time, all Fund policies were reviewed in order to maintain or improve their compliance. This rigorous effort affected about twenty policies, approved by their respective committees, i.e., governance, audits, ethics, investments and prevention and claims. The *Administrator's Manual* was also completely revamped.

In addition to administrative management, FARCIQ is also concerned with the profession's sound practices and reminds its policyholders that a collective effort must focus on prevention and reduction of the risk of claims. We would like to congratulate everyone who worked on this objective and invite the rest of you to join us.

FARCIQ analysts are available to answer your questions, at no cost.

"FARCIQ ANALYSTS ARE AVAILABLE TO ADDRESS THE CONCERNS OF POLICYHOLDERS"

I would like to take this opportunity to thank FARCIQ Board members for their support and great cooperation. I would also like to congratulate all FARCIQ employees for their commitment to our policyholders, their loyalty, and the excellence of their work.

General Manager,

**Brigitte Corbeil,** MBA, ASC

PREVENTION

# INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte LLP
1, Place Ville Marie
Suite 3000
Montréal QC H3B 4T9
Tel.: 514 393-7115 • Fax.: 514 390-4111
www.deloitte.ca

## TO THE FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

We have audited the accompanying financial statements of the Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec (FARCIQ), which comprise the statement of financial position as at December 31, 2014, and the statement of comprehensive income, statement of changes in accumulated surplus, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the FARCIQ as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte LLP[1]

February 24, 2015

[1] CPA auditor, CA, public accountancy permit No. A116933

# FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

## Statement of comprehensive income · Year ended December 31, 2014

(In Canadian dollars)

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| **Insurance operations** | | |
| Premiums earned (note 11) | **6,974,916** | 7,946,885 |
| Reinsurance premiums ceded (note 11) | **(442,085)** | (491,607) |
| Net earned premiums | **6,532,831** | 7,455,278 |
| Claims and loss adjustment expenses | **3,580,703** | 1,801,311 |
| General and administrative expenses | **1,338,054** | 2,024,850 |
| Total claims and expenses | **4,918,757** | 3,826,161 |
| Underwriting profit | **1,614,074** | 3,629,117 |
| Investment and other income (note 4) | **1,365,634** | 1,213,246 |
| **Income for the year** | **2,979,708** | 4,842,363 |
| **Other comprehensive income** | | |
| *Items that will be reclassified subsequently to profit or loss* | | |
| Unrealized (loss) gain on available-for-sale securities | **1,112,022** | (927,102) |
| Portion reclassified to income from available-for-sale securities | **(10,060)** | (62,397) |
| Other comprehensive income for the year | **1,101,962** | (989,499) |
| COMPREHENSIVE INCOME | **4,081,670** | 3,852,864 |

The accompanying notes are an integral part of the financial statements.

# FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

## Statement of changes in accumulated surplus · Year ended December 31, 2014

(In Canadian dollars)

| | | | 2014 | 2013 |
|---|---|---|---|---|
| | Accumulated surplus | Accumulated other comprehensive income | Total | Total |
| | $ | $ | $ | $ |
| Balance, beginning of year | 34,400,732 | (593,420) | 33,807,312 | 29,954,448 |
| Income for the year | 2,979,708 | - | 2,979,708 | 4,842,363 |
| Other comprehensive income | - | 1,101,962 | 1,101,962 | (989,499) |
| BALANCE, END OF YEAR | 37,380,440 | 508,542 | 37,888,982 | 33,807,312 |

The accompanying notes are an integral part of the financial statements.

# FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

## Statement of financial position as at December 31, 2014

(In Canadian dollars)

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| **Assets** | | |
| Cash | 1,468,323 | 1,270,966 |
| Treasury bills (interest rate of 1.88% in 2014 (0.89% in 2013)) | 808,196 | 349,398 |
| Investments (note 4) | 50,749,166 | 47,278,143 |
| Investment income receivable | 192,575 | 185,223 |
| Premiums and other receivables (note 14) | 62,261 | 42,055 |
| Amounts recoverable from reinsurers for claims liabilities (note 9) | 755,000 | 2,394,000 |
| Deductibles recoverable from policyholders for claims liabilities | 473,262 | 397,984 |
| Prepaid reinsurance | 374,067 | 255,052 |
| Prepaid expenses | 14,206 | 36,761 |
| Property, plant and equipment (note 7) | 19,454 | 34,887 |
| Intangible asset (note 8) | 108,215 | 132,622 |
| | 55,024,725 | 52,377,091 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | 182,741 | 151,464 |
| Due to OACIQ (note 13) | 12,296 | 15,929 |
| Unearned premiums | 2,295,444 | 2,528,148 |
| Claims liabilities (note 9) | 14,645,262 | 15,874,238 |
| | 17,135,743 | 18,569,779 |
| Commitments (note 16) | | |
| **Accumulated surplus** | | |
| Accumulated surplus, end of year | 37,380,440 | 34,400,732 |
| Accumulated other comprehensive income | 508,542 | (593,420) |
| | 37,888,982 | 33,807,312 |
| | 55,024,725 | 52,377,091 |

The accompanying notes are an integral part of the financial statements.

Approved by the Board of Directors

**Michel Léonard**
Chairman of the board of directors

**Martin Dupras**
Treasurer

# FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

## Statement of cash flows · Year ended December 31, 2014

(In Canadian dollars)

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| **Operating activities** | | |
| Income for the year | **2,979,708** | 4,842,363 |
| Adjustments for: | | |
| Amortization of property, plant and equipment | **20,948** | 30,923 |
| Amortization of intangible asset | **39,374** | 36,666 |
| Amortization of premiums and investment discounts | **64,225** | 144,243 |
| Gain on disposal of investments | **(10,060)** | (62 397) |
| Income of reinvested dividends | **(281,138)** | (293,562) |
| | **2,813,057** | 4,698,236 |
| Change in non-cash working capital items | | |
| Investment income receivable | **(7,352)** | (14 037) |
| Premiums and other receivables | **(20,206)** | 84,391 |
| Prepaid expenses | **22,555** | 1,381 |
| Amounts recoverable from reinsurers for claims liabilities | **1,639,000** | 181,000 |
| Prepaid reinsurance | **(119,015)** | (18 497) |
| Deductibles recoverable from policyholders for claims liabilities | **(75,278)** | 130,643 |
| Accounts payable and accrued liabilities | **31,277** | 58,227 |
| Due to OACIQ | **(3,633)** | (233,863) |
| Unearned premiums | **(232,704)** | (495 118) |
| Claims liabilities | **(1,228,976)** | (1 847,266) |
| | **2,818,725** | 2 545,097 |
| **Investing activities** | | |
| Acquisition of investments | **(33,816,568)** | (40 164 328) |
| Proceeds on disposal of investments | **31,674,480** | 39 102,087 |
| Additions to property, plant and equipment | **(5,515)** | (7 687) |
| Additions to intangible asset | **(14,967)** | - |
| | **(2,162,570)** | (1 069,928) |
| Increase in cash and cash equivalents | **656,155** | 1 475,169 |
| Cash and cash equivalents, beginning of year | **1,620,364** | 145,195 |
| **Cash and cash equivalents, end of year** | **2,276,519** | 1 620,364 |
| Cash and cash equivalents consist of: | | |
| Cash | **1,468,323** | 1 270,966 |
| Treasury bills | **808,196** | 349,398 |
| | **2,276,519** | 1 620,364 |

The accompanying notes are an integral part of the financial statements.

# FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

## Notes to the financial statements · December 31, 2014

(In Canadian dollars)

## 1. Incorporation and nature of operations

Governed by the *Insurance Act*, the Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec (the "FARCIQ" or "Insurance Fund") was incorporated by Québec's self-regulatory body for real estate brokers, the Organisme d'autoréglementation du courtage immobilier du Québec (the "OACIQ"). The OACIQ obtained its insurer permit on July 4, 2006, and the Insurance Fund commenced its operations on July 21, 2006. Its mission is to provide professional liability insurance for all agencies, real estate brokers and mortgage brokers of Quebec. The Insurance Fund's head office is located at 4905 Lapinière Blvd., Suite 2800, Brossard, Québec, Canada. FARCIQ is not subject to the *Income Tax Act*.

## 2. Basis of presentation

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These financial statements and the accompanying notes were authorized for issue in accordance with a resolution of the Board of Directors on February 24, 2015.

The Insurance Fund uses a liquidity presentation for statement of financial position.

## 3. Accounting policies

### Insurance contracts

Insurance contracts are contracts that, at their effective date, transfer significant insurance risk. Insurance risk is transferred when the Insurance Fund agrees to compensate a policyholder if an uncertain future event specified in the contract adversely affects the policyholder. All contracts issued by the Insurance Fund transfer significant insurance risk and are therefore treated as insurance contracts.

### Claims liabilities

Claims liabilities consist of unpaid claims and loss adjustment expenses "unpaid claims". Upon receipt of any notice of claim, the net final cost of claims and loss adjustment expenses is first estimated on a case-by-case basis and then reassessed as additional information becomes known. Included in unpaid claims is a provision to account for the future development of these claims, including claims incurred but not reported, as well as a provision for adverse deviations, as required by accepted actuarial practice in Canada. Unpaid claims are discounted to take into account the time value of money using the market rates of the underlying invested assets. An external actuary, appointed by the Board of Directors of the Insurance Fund, evaluates the adequacy of claims liabilities using appropriate actuarial techniques.

### Unearned premiums

Premiums written are deferred as unearned premiums and recognized as revenue on a pro rata basis over the terms of the underlying policies. Unearned premiums are calculated as the unexpired portion of the premiums written on a pro rata basis.

## 3. Accounting policies (continued)

### Reinsurance

Claims are presented in the statement of comprehensive income, net of amounts recoverable from reinsurers. Estimated amounts recoverable from reinsurers on unpaid claims are recorded separately from estimated amounts payable for claims.

Amounts recoverable from reinsurers are assessed in the same manner as unpaid claims and are recorded to reflect the time value of money.

### Cash and cash equivalents

Cash and cash equivalents include cash and treasury bills that, at purchase, have a maturity of three months or less from the acquisition date by. Investment income on cash and cash equivalents is recognized when earned and is included in the statement of comprehensive income within Investment and other income.

### Financial instruments

Financial instruments consist of available-for-sale ("AFS") financial assets and loans and receivables.

AFS financial assets are those financial assets that are designated as available for sale, or that are not classified as loans and receivables, held-to-maturity investments, or financial assets at fair value through profit or loss. AFS assets are acquired for an indefinite period and may be sold to meet liquidity requirements.

The investments, all classified as AFS, are carried at fair value on the statement of financial position as of the trade date, and changes in fair value are recorded in other comprehensive income until the financial asset is disposed of or has become other-than-temporarily impaired. As long as an AFS asset is held and not other-than-temporarily impaired, gains and losses are not recognized in income. When the asset is disposed of or other-than-temporarily impaired, gains and losses are recognized in income as investment and other income and, accordingly, the amount is deducted from other comprehensive income. Gains and losses on the sale of AFS assets are calculated using the average cost method.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. Cash, treasury bills, investment income receivable, premiums and other receivables, and amounts recoverable from policyholders for claims liabilities are classified as loans and receivables.

### Financial liabilities at amortized cost

Financial liabilities, which are listed as accounts payable and accrued liabilities, and due to OACIQ, are measured at amortized cost.

### Fair value of financial instruments

In accordance with IFRS 7, *Financial Instruments – Disclosures* for financial instruments measured at fair value on the statement of financial position, the Insurance Fund categorizes its fair value measurements according to a three-level hierarchy as described below:

**Level 1** – Quoted (unadjusted) prices in active markets for identical assets or liabilities;

**Level 2** – Valuation techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly;

**Level 3** – Valuation techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

## 3. Accounting policies (continued)

### Revenue and expense recognition related to financial instruments

The effective interest method of amortization is used for all transaction costs added to the acquisition cost of a financial instrument and for the premiums or discounts earned or incurred for AFS financial instruments. Interest income is recognized as earned.

### Determination of fair value of financial instruments

The fair value of a financial instrument on initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received.

Subsequent to initial recognition, the fair values are determined based on available information. The fair value of financial instruments is based on ask prices.

### Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Asset costs are amortized using rates established over the estimated life of the assets, using the straight-line method over the following periods:

| | |
|---|---|
| Telephone system | 3 years |
| Leasehold improvements | lease term |
| Furniture and equipment | 5 years |
| Computer hardware | 3 years |

### Intangible asset

Intangible asset is recorded at cost, net of accumulated amortization, and consists of application and operating software. Amortization is calculated on a straight-line basis over the estimated useful life of software, which is five years.

### Impairment of long-lived assets

Long-lived assets, excluding goodwill, are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may exceed their recoverable amount. The recoverable amount of an asset or cash-generating unit ("CGU") is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of estimated future cash flows expected to arise from an asset or CGU. An impairment loss is the amount, if any, by which the carrying amount of an asset or CGU exceeds its recoverable amount and is charged to income. During the current and previous years, no intangible assets or items of property plant and equipment were impaired.

### Application of new standards

On January 1, 2014, Insurance Fund adopted the amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities. These amendments clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement". The retrospective application of this standard has no impact on the financial statements.

## 3. Accounting policies (continued)

### Standards issued but not yet effective

The Insurance Fund is currently analyzing the impact that the following standards will have on its financial statements:

**Financial instruments: Classification and measurement**

On July 25, 2014, the IASB completed the final elements of its comprehensive response to the financial crisis by issuing further amendments to IFRS 9, Financial Instruments, in respect of (i) revisions to its classification and measurement model and (ii) a single, forward-looking "expected loss" impairment model.

IFRS 9, as amended, introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements that are generally considered to be overly complex and difficult to apply. The new model also results in a single impairment model being applied to all financial instruments, thereby removing a source of complexity associated with previous accounting requirements.

IFRS 9, as amended, introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a more timely basis.

The amendments to IFRS 9 are effective for annual periods beginning on January 1, 2018. Earlier adoption is permitted..

### Significant accounting estimates and assumptions

The carrying values of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities during the next annual reporting period are related to measuring claims liabilities.

The ultimate cost of claims liabilities is estimated by using a range of standard actuarial claims projection techniques in accordance with Canadian accepted actuarial practice.

The main assumption underlying these techniques is that an entity's past claims experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of prior years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by industry and claim type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, in order to arrive at the estimated ultimate cost of claims that present the most likely outcome from the range of possible outcomes, taking into account all the uncertainties involved.

## 4. Investments

A financial instrument is regarded as quoted in an active market [Level 1] if quoted prices for that financial instrument are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. When a quoted active market exists, the fair values of financial assets are based on bid prices and the fair values of financial liabilities are based on ask prices.

In the absence of an active market, fair values are based on inputs other than quoted prices that are observable for the asset or liability directly or indirectly [Level 2]. Such inputs include prevailing market rates for instruments with similar characteristics and risk profiles, the closing price of the most recent trade date subject to liquidity adjustments or average brokers' quotes when trades are too sparse to constitute an active market. Specifically, the fair value of bonds is determined by discounting cash flows generated over the holding period of the bond. The discount rate used reflects the credit risk of instruments with the same risk profile as the bond measured at the date of presentation of financial information. As for investment funds, fair value is based on their net asset value.

Certain financial instruments whose fair values are not based on observable market inputs are to be measured using a valuation technique or model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor based on available market data [Level 3]. The Insurance Fund held no Level 3 securities as at December 31, 2014.

The distribution of the Insurance Fund's financial instruments between each of the above-mentioned levels is presented below.

## 4. Investments (continued) · Fair value hierarchy

| | 2014 | | |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Total** |
| | **$** | **$** | **$** |
| Provincial government bonds | **-** | **12,094,548** | **12,094,548** |
| Municipal government bonds | **-** | **13,840,351** | **13,840,351** |
| Corporate bonds | **-** | **11,117,184** | **11,117,184** |
| Investment funds | **-** | **9,664,066** | **9,664,066** |
| Preferred shares | **4,033,017** | **-** | **4,033,017** |
| | **4,033,017** | **46,716,149** | **50,749,166** |

| | 2013 | | |
|---|---|---|---|
| | Level 1 | Level 2 | Total |
| | $ | $ | $ |
| Provincial government bonds | - | 9,669,611 | 9,669,611 |
| Municipal government bonds | - | 11,402,400 | 11,402,400 |
| Corporate bonds | - | 13,482,709 | 13,482,709 |
| Investment funds | - | 9,295,173 | 9,295,173 |
| Preferred shares | 3,428,250 | - | 3,428,250 |
| | 3,428,250 | 43,849,893 | 47,278,143 |

## 4. Investments (continued) · Investment maturities

| | 2014 | | | | |
|---|---|---|---|---|---|
| | Under 1 year | 1 to 5 years | Over 5 years | No specific maturity | Total |
| | $ | $ | $ | $ | $ |
| Provincial government bonds | - | 8,006,190 | 4,088,358 | - | 12,094,548 |
| Municipal government bonds | 4,296,881 | 9,543,470 | - | - | 13,840,351 |
| Corporate bonds | 1,221,551 | 7,782,050 | 2,113,583 | - | 11,117,184 |
| Investment funds | - | - | - | 9,664,066 | 9,664,066 |
| Preferred shares | - | - | - | 4,033,017 | 4,033,017 |
| | 5,518,432 | 25,331,710 | 6,201,941 | 13,697,083 | 50,749,166 |

| | 2013 | | | | |
|---|---|---|---|---|---|
| | Under 1 year | 1 to 5 years | Over 5 years | No specific maturity | Total |
| | $ | $ | $ | $ | $ |
| Provincial government bonds | - | 6,914,187 | 2,755,424 | - | 9,669,611 |
| Municipal government bonds | 2,465,893 | 8,936,507 | - | - | 11,402,400 |
| Corporate bonds | 1,510,194 | 9,407,785 | 2,564,730 | - | 13,482,709 |
| Investment funds | - | - | - | 9,295,173 | 9,295,173 |
| Preferred shares | - | - | - | 3,428,250 | 3,428,250 |
| | 3,976,087 | 25,258,479 | 5,320,154 | 12,723,423 | 47,278,143 |

## 4. Investments (continued) · Unrealized investment gains (losses)

| | 2014 | | | |
|---|---|---|---|---|
| | **Amortized cost** | **Gains** | **Losses** | **Fair value** |
| | **$** | **$** | **$** | **$** |
| Provincial government bonds | **11,771,444** | **323,104** | **-** | **12,094,548** |
| Municipal government bonds | **13,715,868** | **125,138** | **(655)** | **13,840,351** |
| Corporate bonds | **10,997,315** | **132,755** | **(12,886)** | **11,117,184** |
| Investment funds | **9,676,858** | **-** | **(12,792)** | **9,664,066** |
| Preferred shares | **4,079,139** | **43,271** | **(89,393)** | **4,033,017** |
| | **50,240,624** | **624,268** | **(115,726)** | **50,749,166** |

| | 2013 | | | |
|---|---|---|---|---|
| | Amortized cost | Gains | Losses | Fair value |
| | $ | $ | $ | $ |
| Provincial government bonds | 9,666,957 | 23,083 | (20,429) | 9,669,611 |
| Municipal government bonds | 11,312,605 | 153,300 | (63,505) | 11,402,400 |
| Corporate bonds | 13,367,785 | 133,592 | (18,668) | 13,482,709 |
| Investment funds | 9,879,250 | - | (584,077) | 9,295,173 |
| Preferred shares | 3,644,966 | 7,053 | (223,769) | 3,428,250 |
| | 47,871,563 | 317,028 | (910,448) | 47,278,143 |

## 4. Investments (continued) · Investment and other income

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| Interest income | 1,013,278 | 974,330 |
| Dividend income | 448,281 | 486,552 |
| Amortization of premiums and discounts | (64,225) | (144,243) |
| Gain from disposal of investments | 10,060 | 62,397 |
| | 1,407,394 | 1,379,036 |
| Investment management and custody fees | 167,760 | 165,790 |
| Investment income | 1,239,634 | 1,213,246 |
| Other income | 126,000 | - |
| INVESTMENT AND OTHER INCOME | 1,365,634 | 1,213,246 |

## 5. Additional information about financial instruments

The Insurance Fund's investments are managed by two external managers, which are required to follow the investment policy set out by the Insurance Fund's Board of Directors. Management ensures compliance with these guidelines. The investment portfolio is entirely invested in well-established, active and liquid markets.

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other market price risk. The Insurance Fund's investment policies establish principles and limits pertaining to these risks. The Investment Committee regularly monitors compliance with these investment policies.

### Currency risk

Currency risk is the risk that the value of a financial instrument denominated in foreign currencies fluctuate because of changes in foreign exchange rates. Since all its financial instruments are denominated in Canadian dollars, the Insurance Fund is not exposed to currency risk.

### Interest rate risk

Interest rate risk is the risk that a fluctuation in interest rates negatively impact the financial position of the Insurance Fund, which occurs when market interest rates rise.

The following table details the interest rate risk exposure. The financial instruments appearing in the statement of financial position are displayed according to the earlier of their maturity and their rate adjustment date. The effective interest rates, if any, are the current market rates for the overall bond portfolio.

## 5. Additional information about financial instruments (continued)

### Financial instrument interest rates by maturity

| | 2014 | | | |
|---|---|---|---|---|
| | **Floating rate** | **Under 12 months** | **1 to 5 years** | **Over 5 years** |
| | **%** | **%** | **%** | **%** |
| **Assets** | | | | |
| Fixed-income securities | **-** | **1.75 to 5.02** | **1.42 to 5.80** | **2.85 to 5.54** |
| Reinsurance and deductibles | **-** | **1.95** | **1.95** | **1.95** |
| **Liabilities** | | | | |
| Claims liabilities | **-** | **1.95** | **1.95** | **1.95** |

| | 2013 | | | |
|---|---|---|---|---|
| | Floating rate | Under 12 months | 1 to 5 years | Over 5 years |
| | % | % | % | % |
| **Assets** | | | | |
| Fixed-income securities | - | 1.35 to 5.74 | 1.00 to 5.80 | 2.85 to 5.54 |
| Reinsurance and deductibles | - | 2.21 | 2.21 | 2.21 |
| **Liabilities** | | | | |
| Claims liabilities | - | 2.21 | 2.21 | 2.21 |

A 1% change in interest rates would result in a $1,588,417 decrease (increase) in investment income ($1,536,329 in 2013).

### Credit risk

Credit risk is the risk that a party to a financial instrument cause a financial loss for the Insurance Fund by failing to discharge an obligation. Credit risk arises primarily from fixed-income securities, which comprise substantially all of the investment portfolio.

The Insurance Fund's investment policy provides a quality criteria framework for portfolio securities and requires investment managers to produce regular compliance reports. The policy also stipulates that the Insurance Fund may not invest more than 50% of its fixed-income security portfolio in corporate bonds. No more than 5% of the fixed-income security portfolio may be invested in issues with ratings of BBB or less. The Insurance Fund may not invest more than 10% of the fixed-income security portfolio in the securities of a single corporate issuer.

The Insurance Fund assesses the reinsurer's financial strength before signing any reinsurance treaties and monitors its situation on a regular basis. In addition, the Insurance Fund has minimum rating requirements for its reinsurer. The reinsurer must have a minimum rating of A+ as at August 6, 2014. The Insurance Fund uses AM Best ratings agency.

## 5. Additional information about financial instruments (continued)

### Maximum credit risk exposure arising from financial instruments

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| Cash | **1,468,323** | 1,270,966 |
| Treasury bills | **808,196** | 349,398 |
| Canadian, provincial and municipal government bonds | **25,934,899** | 21,072,011 |
| Corporate bonds | **11,117,184** | 13,482,709 |
| Investment funds | **9,664,066** | 9,295,173 |
| Preferred shares | **4,033,017** | 3,428,250 |
| Investment income receivable | **192,575** | 185,223 |
| Premiums receivable | **62,261** | 42,055 |
| Amounts recoverable from reinsurers for claims liabilities | **755,000** | 2,394,000 |
| Deductibles recoverable from policyholders for claims liabilities | **473,262** | 397,984 |
| TOTAL | **54,508,783** | 51,917,769 |

**Credit risk concentration**

Concentration of credit risk exists where a number of borrowers or counterparties are engaged in similar activities, are located in the same geographic area or have comparable economic characteristics, such that their ability to meet contractual obligations could be similarly affected by changes in economic, political or other conditions. The Insurance Fund's invested assets could have sensitivity to changes affecting a particular industry. All of the securities held are issued in Canada.

## 5. Additional information about financial instruments (continued)

### Debt securities by industry

| | 2014 | 2013 |
|---|---|---|
| | % | % |
| Federal, provincial and municipal governments – Canada | **69.94** | 69.44 |
| Financials | **21.14** | 18.50 |
| Industrials | **3.14** | 3.31 |
| Energy | **1.71** | 2.28 |
| Infrastructure | **1.32** | 2.38 |
| Real estate | **1.81** | 3.11 |
| Telecommunication | **0.94** | 0.98 |
| | **100.00** | 100.00 |

### Liquidity risk

Liquidity risk is the risk that an entity encounter difficulty in meeting obligations associated with financial instruments that are settled by delivering cash. To manage its cash flow requirements, the Insurance Fund maintains a portion of its invested assets in liquid securities. On December 31, financial liabilities are all due in the following year.

### Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument fluctuate in amount. The Insurance Fund mitigates this risk by matching cash inflows from investments with cash outflows for paid claims.

### Fair value

The fair values of cash, treasury bills, investment income receivable, premiums and other receivables, amounts recoverable from reinsurers for claims liabilities, accounts payable and accrued liabilities, and amounts due to OACIQ approximate their carrying values due to their short term maturities.

## 6. Insurance risk

### Insurance risk and management

The Insurance Fund underwrites professional liability insurance contracts for Quebec agencies, real estate brokers and mortgage brokers. Insurance contract risk mostly comprises risk associated with:

- Underwriting and pricing;
- Fluctuation in the timing, frequency and severity of claims relative to projections;
- Inadequate reinsurance protection.

**A. Underwriting**

Policies generally cover a twelve-month period with a renewal date of May 1st each year. The insurance business is cyclical in nature: the industry generally reduces insurance rates following periods of increased profitability, while it generally increases rates following periods of sustained loss. The Insurance Fund's profitability tends to follow this cyclical market pattern. In addition, the Insurance Fund is at risk from changes in professional liability insurance legislation and the economic environment.

In order to properly monitor the Insurance Fund's risk appetite, annual premium pricing is established using an internal return on equity model and a risk-based capital model as published by the Autorité des marchés financiers ("AMF"). The annual premium established at $420 in 2013, was decreased to $395 in 2014. However, the limit of guarantee offered to the insured remained the same. See Note 10.

The Investment Committee monitors the Insurance Fund's overall risk profile, aiming for a balance between risk, return and capital, and determines policies concerning the Insurance Fund's risk management framework. The Committee's mandate is to identify measure and monitor risks and avoid exposures that are outside of the Insurance Fund's risk tolerance level.

**B. Claims management and reinsurance**

One objective of the Insurance Fund is to ensure that sufficient claims liabilities are established to cover future claim payments. The Insurance Fund's success depends upon its ability to adequately assess the risk associated with the insurance contracts underwritten by the Insurance Fund. The Insurance Fund establishes claims liabilities to cover the estimated liability for the payment of all losses and loss adjustment expenses incurred with respect to insurance contracts underwritten by the Insurance Fund. Claims liabilities do not represent an exact calculation of the liability. Rather, claims liabilities are the Insurance Fund's estimates of its expected ultimate cost of claims for compensation payment and claims expenses. Expected inflation is taken into account when estimating claims liabilities, thereby mitigating inflation risk.

Overseen by the Claims Committee, strict claim review policies are in place to assess all new and ongoing claims. In addition, regular detailed reviews of claims handling procedures reduce the Insurance Fund's risk exposure. Further, the Insurance Fund enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that could negatively impact the business. The Insurance Fund has established a Claims Committee responsible for analyzing claims and contentious matters to ensure that appropriate claims liabilities are established and approved.

## 6. Insurance risk (continued)

**C. Sensitivity to insurance risk**

The principal assumption underlying the claims liability estimates is that future claims development will follow a similar pattern to past claims development experience.

Claims liabilities estimates are also based on various quantitative and qualitative factors, including:

- Average claim costs including claim handling costs;
- Average claims by accident year;
- Trends in claim severity and frequency.

Most or all of the qualitative factors are not directly quantifiable, particularly on a prospective basis, and the effects of these and unforeseen factors could negatively impact the Insurance Fund's ability to accurately assess the risk of the insurance contracts the Insurance Fund underwrites. In addition, there may be delays, sometimes amounting to several years, between the occurrence of an insured event and the time it is reported to the Insurance Fund and additional delays between the reporting and the final settlement of claims.

The Insurance Fund refines its claims liabilities estimates on an ongoing basis as claims are reported and settled. Establishing an appropriate level of claims liabilities is an inherently uncertain process and the policies surrounding this are overseen by the Insurance Fund's Claims Committee.

## 7. Property, plant and equipment

| | 2014 | | |
|---|---|---|---|
| | Cost | Accumulated amortization | Carrying value |
| | $ | $ | $ |
| Telephone system | 22,927 | 22,927 | - |
| Leasehold improvements | 55,343 | 48,228 | 7,115 |
| Furniture and equipment | 88,090 | 79,803 | 8,287 |
| Computer hardware | 41,105 | 37,053 | 4,052 |
| TOTAL | 207,465 | 188,011 | 19,454 |

| | Carrying value December 31, 2013 | Additions/ (disposals) | Amortization | Carrying value December 31, 2014 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Reconciliation of carrying value** | | | | |
| Telephone system | - | - | - | - |
| Leasehold improvements | 18,184 | - | 11,069 | 7,115 |
| Furniture and equipment | 5,494 | 5,515 | 2,722 | 8,287 |
| Computer hardware | 11,209 | - | 7,157 | 4,052 |
| TOTAL | 34,887 | 5,515 | 20,948 | 19,454 |

## 7. Property, plant and equipment (continued)

| | 2013 | | |
|---|---|---|---|
| | Cost | Accumulated amortization | Carrying value |
| | $ | $ | $ |
| Telephone system | 22,927 | 22,927 | - |
| Leasehold improvements | 55,343 | 37,159 | 18,184 |
| Furniture and equipment | 82,575 | 77,081 | 5,494 |
| Computer hardware | 41,105 | 29,896 | 11,209 |
| TOTAL | 201,950 | 167,063 | 34,887 |

| | Carrying value December 31, 2012 | Additions/ (disposals) | Amortization | Carrying value December 31, 2013 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Reconciliation of carrying value** | | | | |
| Telephone system | 4,458 | - | 4,458 | - |
| Leasehold improvements | 29,253 | - | 11,069 | 18,184 |
| Furniture and equipment | 11,907 | - | 6,413 | 5,494 |
| Computer hardware | 12,505 | 7,687 | 8,983 | 11,209 |
| TOTAL | 58,123 | 7,687 | 30,923 | 34,887 |

## 8. Intangible asset

| | | | 2014 | 2013 |
|---|---|---|---|---|
| | Cost | Accumulated amortization | Carrying value | Carrying value |
| | $ | $ | $ | $ |
| Software | 550,253 | 442,038 | 108,215 | 132,622 |

| | Carrying value December 31, 2013 | Additions/ (disposals) | Amortization | Carrying value December 31, 2014 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Reconciliation of carrying value** | | | | |
| Software | 132,622 | 14,967 | 39,374 | 108,215 |

General and administrative expenses include amortization for the year of $21,656 ($20,662 in 2013), and $17,718 ($16,004 in 2013), included in claims and loss adjustment expenses.

| | Carrying value December 31, 2012 | Additions/ (disposals) | Amortization | Carrying value December 31, 2013 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Reconciliation of carrying value** | | | | |
| Software | 169,288 | - | 36,666 | 132,622 |

## 9. Claims liabilities

Actuarial liabilities are determined to reflect the estimate of the full amount of all liabilities associated with the insurance policies at the statement of financial position date, including claims incurred but not reported ("IBNR"). The ultimate amount of the settlement of these liabilities will vary from the best estimate for a variety of reasons, including additional information with respect to the facts and circumstances of the claims incurred.

### Unpaid claims and amounts recoverable from reinsurers

The provision for unpaid claims and amounts recoverable from reinsurers under unpaid claims are determined using standard actuarial techniques requiring assumptions such as loss development and claim settlement patterns, future rates of claim frequency and severity, inflation and other factors.

Unpaid claims were reduced on a net basis by $386,434 as at December 31, 2014 ($357,232 in 2013) to reflect the time value of money, using an average discount rate of 1.95% (2.21% in 2013) on underlying claim settlement patterns. The provision for adverse deviations increased unpaid claims, on a net basis, by $898,407 as at December 31, 2014 ($693,707 in 2013).

### Unearned premiums

Unearned premiums are calculated on a pro rata basis from the unexpired portion of premiums written and must be sufficient to cover all future costs related to the unexpired portion of in-force policies as at December 31. The future risks to be provisioned consist of claims and loss adjustment expenses, policy maintenance expenses, and the cost of reinsurance pertaining to these policies. In the event that unearned premiums were inadequate to cover these costs, the Insurance Fund would be required to recognize a corresponding liability to cover the deficiency.

### Interest rate sensitivity

As the time value of money is considered in determining the unpaid claims estimate, an increase or decrease in the discount rate would result, respectively, in a decrease or increase in the expense for unpaid claims. Accordingly, a 1% increase in the discount rate would have a $215,901 negative impact on the fair value of unpaid claims as at the statement of financial position date ($169,716 in 2013), while a 1% decrease in the discount rate would have a $224,322 positive impact on the fair value of unpaid claims as at the statement of financial position date ($174,957 in 2013).

### Prior-year claims development

The following table shows the estimates of incurred claims, including IBNR, for the five most recent accident years, with subsequent developments during the periods, as well as cumulative payments to date. The evaluation is based on actual payments in full or partial settlement of claims and current estimates of claims liabilities for claims still open or claims still unreported.

## 9. Claims liabilities (continued) · Prior year claims development

| Ultimate incurred claims estimate | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | **2014** | **TOTAL** |
|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | **$** | **$** |
| As at end of underwriting year | 3,207,940 | 6,526,460 | 6,562,559 | 6,673,910 | 6,073,405 | 5,608,678 | 5,283,626 | **4,749,235** | |
| One year later | 5,073,644 | 7,023,718 | 6,424,801 | 6,033,124 | 4,671,308 | 4,468,644 | 4,069,840 | | |
| Two years later | 5,285,586 | 5,651,971 | 4,772,070 | 4,790,220 | 4,077,761 | 4,144,194 | | | |
| Three years later | 4,034,785 | 4,585,239 | 3,220,954 | 4,076,860 | 3,245,717 | | | | |
| Four years later | 2,984,691 | 3,439,944 | 2,761,601 | 3,660,691 | | | | | |
| Five years later | 2,778,007 | 3,073,062 | 2,428,397 | | | | | | |
| Six years later | 2,728,906 | 2,976,026 | | | | | | | |
| Seven years later | 2,713,372 | | | | | | | | |
| Total liabitilies | 2,713,372 | 2,976,026 | 2,428,397 | 3,660,691 | 3,245,717 | 4,144,194 | 4,069,840 | **4,749,235** | **27,987,472** |
| Paid claims | 2,713,372 | 2,890,355 | 2,075,112 | 2,971,275 | 2,273,789 | 2,075,830 | 969,102 | **570,115** | **16,538,950** |
| Unpaid claims | - | 85,671 | 353,285 | 689,416 | 971,928 | 2,068,364 | 3,100,738 | **4,179,120** | **11,448,522** |
| Prior years | | | | | | | | | - |
| Effect of discounting and margins | | | | | | | | | **1,120,799** |
| Other | | | | | | | | | **1,602,679** |
| Final unpaid Claims | | | | | | | | | **14,172,000** |

Note: These amounts exclude $473,262 in deductibles recoverable from policyholders for claims liabilities.

## 9. Claims liabilities (continued) · Movement of net claims liabilities

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | **Direct claims liabilities** | **Ceded claims liabilities** | **Net claims liabilities** | Direct claims liabilities | Ceded claims liabilities | Net claims liabilities |
| | **$** | **$** | **$** | $ | $ | $ |
| | | | (In thousands of dollars) | | | |
| Balance, beginning of year | **15,476** | **2,394** | **13,082** | 17,192 | 2,575 | 14,617 |
| Changes in estimated losses and expenses for claims incurred in prior years | **(4,354)** | **(1,973)** | **(2,381)** | (5,253) | (1,385) | (3,868) |
| Losses and expenses on claims incurred in the current year | **6,302** | **334** | **5,968** | 6,878 | 1,204 | 5,674 |
| Less recoveries received (amounts paid) in respect of incurred claims | | | | | | |
| During the current year | **(811)** | **-** | **(811)** | (579) | - | (579) |
| During prior years | **(2,441)** | **-** | **(2,441)** | (2,762) | - | (2,762) |
| BALANCE, END OF YEAR | **14,172** | **755** | **13,417** | 15,476 | 2,394 | 13,082 |

Note: This table excludes $473,262 in deductibles recoverable from policyholders for claims liabilities ($397,984 in 2013).

## 10. Reinsurance

The limits coverage provided by the Fund to its insureds is $1,000,000 per claim, per insured, subject to an annual limit of $2,000,000.

In the normal course of business, the Insurance Fund reinsures a portion of the risks it assumes in order to limit its losses in the event of major claims or very high claim frequency.

The terms of the agreement may vary from year to year.

The reinsurance offers $4,500,000 in overall annual coverage in excess of Insurance Fund retention of $4,500,000, between July 1, 2013 to June 30, 2014 and of $2,500,000 in overall annual coverage in excess of Insurance Fund retention of $2,500,000, between July 1, 2014 to December 31, 2014.

## 11. Net earned premiums

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| Earned premiums | **6,974,916** | 7 946,885 |
| Reinsurance premiums written | **561,100** | 510,104 |
| Change in unearned reinsurance premiums | **(119,015)** | (18,497) |
| Reinsurance premiums ceded | **442,085** | 491,607 |
| Net earned premiums | **6,532,831** | 7 455,278 |

No allowance for doubtful accounts was deducted from net earned premiums in 2014 and 2013 determined by an overall analysis of premiums receivable at year-end to identify those that in all probability will not be recovered. Given that the insurance premium is billed together with OACIQ annual membership dues, the insured is not actually covered until OACIQ receives the premium, and therefore no allowance is required.

## 12. Capital required

Capital required is governed by the AMF. Accordingly, the risk-based capital adequacy framework is based on an assessment of the riskiness of assets, policy liabilities, and structured settlements, letters of credit, derivatives and other exposures, by applying varying factors and margins. The Insurance Fund is required to meet a capital available to capital required test, called the minimum capital test ("MCT").

The AMF requires each property and casualty insurer to establish its own internal target capital level that reflects its risk profile and to justify to the AMF the target level it has adopted with an explanation backed by supporting data. This internal target level must be higher than the 100% minimum capital threshold imposed by the AMF and the 150% supervisory target level.

In 2014, the Insurance Fund established a 375% internal target for capital required, given the necessity of building adequate capital to meet future obligations with regard to protection of the public. The Insurance Fund has exceeded both the minimum threshold and its own internal target for capital required.

The Insurance Fund's capital available and capital required are detailed as follows:

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| | | (in thousands of dollars) |
| Capital available | **37,889** | 33,808 |
| Capital required | **3,892** | 4,413 |
| Excess of capital available over capital required | **33,997** | 29,395 |
| MCT (as a %) | **973.54%** | 766.10% |

## 13. Transactions with the OACIQ

By various agreements with OACIQ, the Insurance Fund received certain management services and provided sponsorship, totaling $57,346 ($227,355 in 2013), in addition to rent expenses of $80,692 ($84,166 in 2013). To these amounts are added other paid expenses totaling $30,072 ($38,225 in 2013). These transactions were concluded in the normal course of business and measured at the value agreed between parties. As at December 31, 2014, an amount of $12,296 is payable ($15,929 in 2013) in connection with these transactions. Premiums and other receivables include an amount of $7,620 ($11,555 in 2013) for the premiums collected by the OACIQ on behalf of the Fund.

## 14. Premiums and other receivables

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| Deductibles receivable | **54,565** | 30,413 |
| Premiums receivables | **7,620** | 11,555 |
| QST receivable | **76** | 87 |
| TOTAL | **62,261** | 42,055 |

## 15. Compensation of key executive officers

Key executive officers consist of all members of the Board of Directors and the executive officers of the Insurance Fund. Total compensation for 2014 amounted to $373,382 ($507,099 for 2013).

## 16. Commitments

The Insurance Fund is committed under a subletting arrangement with the OACIQ under a lease expiring in July 2020. Future minimum payments under the contract totalling $329,940 are as follows:

| | **$** |
|---|---|
| 2015 | **49,774** |
| 2016 | **61,127** |
| 2017 | **61,127** |
| 2018 | **61,127** |
| 2019 and thereafter | **96,785** |

# OPINION OF THE ACTUARY

I have valued the policy liabilities and reinsurance recoverable of Fonds d'assurance responsabilité du Courtage Immobilier du Québec for its statement of financial position at December 31, 2014 and their change in the statement of income for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

I am satisfied that the data utilized for the valuation of these liabilities are reliable and sufficient. I verified the consistency of the valuation data with the firm's financial records.

The results of my valuation together with amounts carried in the Annual Return are the following:

| Claims Liabilities ($'000) | Carried in Annual Return | Actuary's Estimate |
|---|---|---|
| (1) Direct unpaid claims and adjustment expenses | **14,172** | **14,172** |
| (2) Assumed unpaid claims and adjustment expenses | **0** | **0** |
| (3) Gross unpaid claims and adjustment expenses (1) + (2) | **14,172** | **14,172** |
| (4) Ceded unpaid claims and adjustment expenses | **755** | **755** |
| (5) Other amounts to recover | **473** | **473** |
| (6) Other net liabilities | **473** | **473** |
| (7) Net unpaid claims and adjustment expenses (3) – (4) – (5) + (6) | **13,417** | **13,417** |

| Premium Liabilities ($'000) | Carried in Annual Return | Actuary's Estimate |
|---|---|---|
| (1) Gross policy liabilities in connection with unearned premiums | | **2,092** |
| (2) Net policy liabilities in connection with unearned premiums | | **1,552** |
| (3) Gross unearned premiums | **2,295** | |
| (4) Net unearned premiums | **1,921** | |
| (5) Premium deficiency | **0** | **0** |
| (6) Other net liabilities | **0** | **0** |
| (7) Deferred policy acquisition expenses | **0** | |
| (8) Maximum policy acquisition expenses deferrable [(4) + (5) + (9)] col. 1 – (2) col. 2 | | **369** |
| ((9) Unearned Commissions | **0** | |

In my opinion, the amount of policy liabilities net of reinsurance recoverable makes appropriate provision for all policyholder obligations and the financial statement fairly presents the results of the valuation.

Eckler

Xavier Bénarosch, FCAS, FCIA

February 17, 2015

Date opinion was rendered

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